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Skepticism Mounts On Deploying SDI

Experts Doubt Value of Limited System;
'Problems Being Swept Under Rug'

By David E. Sanger
New York Times Service

NEW YORK — A growing number of experts say they are skeptical that even a rudimentary system to shoot down attacking missiles could be deployed effectively within the next decade, as the Reagan administration is considering.

While the administration has yet to provide details of what early defensive system would look like, Pentagon officials and other experts say it would initially contain none of the lasers, particle-beam weapons or other futuristic weaponry that gave rise to the "star wars" label the project, officially known as the Strategic Defense Initiative, has acquired.

Instead, the first phase would rely chiefly on small homing rockets launched from the ground and from satellites that would destroy their targets with the force of their impact — officials call them "hit-to-kill" devices to distinguish them from beams or explosive weapons — and on a network of yet-to-be-developed sensors, communication software and battle-management systems.

Doubts over the feasibility of quick development of such a system are growing just as the administration is debating the wisdom of early deployment and grappling with how to avoid conflicts with the 1972 Anti-Ballistic Missile Treaty, which limits defenses against nuclear weapons.

In Washington on Tuesday, President Ronald Reagan met with senior officials to discuss the conduct of the SDI program and its relationship to the treaty. Officials said no decisions had been made to schedule tests that would go beyond the long-accepted view of the treaty or to adopt a broader view of the agreement.

In recent weeks, both in public statements and classified briefings, Defense Department officials have insisted that tests show that basic technology for picking out and intercepting nuclear missiles is workable and well understood. Some outside experts agree that the concrete progress has been made. But experts say Pentagon officials have been vague when asked about the

key engineering challenge: making both the weapons and the sensors small, cost-effective and reliable.

Preliminary analysis of the plan that Defense Department officials are circulating in Washington strongly suggests that a system of limited capabilities and modest size, the only kind suitable for deployment in the mid-1990s, would be far more vulnerable to attack and countermeasures.

"I see problems being swept under the rug in the interests of getting consensus on early deployment," said Ashton B. Carter, a Harvard physicist and Defense Department consultant with extensive knowledge of the system. "It may be possible to put a system like this in place, but it is not clear that it would have any military value."

Assessing the defensive potential of key elements of a partially deployed system is difficult. Many elements of the plan currently being discussed are vague, and estimates of its effectiveness appear to be rife with internal contradictions.

Officials of the Strategic Defense Initiative Organization, the government agency coordinating the effort, declined to be interviewed on the technology.

In interviews over the past week with The New York Times, experts inside and outside the program have raised these key concerns about the Pentagon's plan:

• In order to support their arguments for early deployment, SDI officials appear to have lowered the performance requirements of key elements of the system. A key sensor device would be excluded from initial versions of a space-based rocket interceptor system, with the likely result that more enemy warheads could get by it during the "boost phase," as attacking missiles lift out of their silos, according to experts briefed by contractors or the Pentagon.

Similarly, they say the ability of the midcourse defense layer to discriminate between decoys and real warheads would be sharply reduced from the original plan. But a spokesman for the Strategic Defense Initiative said Tuesday that to the best of his knowledge, no

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CONSTITUTION TAKES EFFECT — President Corason C. Aquino administering the oath of allegiance to the new Philippine constitution to government officials in Manila on Wednesday. She also told military commanders a commission will be set up to investigate human rights abuses by Communist rebels. Page 3.

Fear Grows Of Change In Fed Policy

By John Meehan
International Herald Tribune

NEW YORK — Concern is growing among American economists that the Federal Reserve Board, which has nurtured U.S. economic growth with a series of interest-rate cuts, is being forced to pursue a less accommodative monetary policy until the dollar stabilizes on currency markets.

Economists emphasized that there is still no indication that the Fed will completely reverse the easier tone that has marked its policies in the past year.

But the central bank's conspicuous absence from the U.S. credit market Wednesday added to speculation that the Fed would welcome higher rates to avert another precipitous drop in the dollar. It was the second consecutive day that the Fed had failed to take any action to restrain the rise in short-term interest rates.

The Fed's new approach, observers say, would seem to put it at odds with the Reagan administration, which is thought to welcome a further decline in the dollar.

The dollar's latest descent was touched off Monday, when the U.S. Treasury secretary, James A. Baker 3d, said that no meeting of finance ministers from the Group of Five nations had been scheduled.

But economists and currency specialists warned against interpreting that development as evidence of a deep division between the Fed chairman, Paul A. Volcker, and Mr. Baker.

Although Mr. Volcker said early last week that he believed that the U.S. currency had fallen enough, many economists believe that he, too, would accept a further weakening of the dollar against certain currencies.

But the Fed chairman is known to prefer a gradual fall to the abrupt declines that the dollar has seen so far this year.

Moreover, the overriding concern about the health of the U.S. economy would likely prevent the Fed from tightening its grip. With some economists expecting economic growth to limp along at a rate of 2 to 3 percent this year, economists agree that the Fed cannot afford to tolerate sharply higher rates.

In fact, as the Fed's chief policymaking panel ended a two-day meeting Wednesday, economists speculated that an increase in the discount rate, which would send a clear message to the markets, was never seriously considered.

Minutes of the meeting of the

See FED, Page 11

In Brazil, Economic Disarray Follows Collapse of Price Curbs

By Alan Riding
New York Times Service

RIO DE JANEIRO — One evening last week, a local businessman who has always preached "faith in Brazil" sat gloomily in a restaurant and confessed: "This afternoon, I canceled a major investment."

He explained: "When I did my numbers last year, interest rates were at 70 percent, but I'm conservative, so I allowed for 170 percent. Now they're over 600 percent. Who can invest when there's no knowing where we're going?"

The abrupt collapse of the government's 11-month-old program to fight inflation has sent interest rates soaring and brought disarray to the Brazilian economy.

Bankers said rates on short-term bank certificates of deposit jumped to 680 percent on Monday from

580 percent, and then rose to 750 percent on Tuesday.

That same day, the president of the central bank, Fernando Bracher, resigned, and although no reason was given, analysts noted that he had taken office in August 1985 pledging to reduce interest rates.

Many financial experts warn that Brazil faces a choice between hyperinflation or deep recession.

Yet, perhaps even more than the return of three-digit inflation — which Brazilians had learned to live with in the early 1980s — the uncertainty is fueled by a growing impression that the government has lost control of the economy.

In recent weeks, sharp policy disagreements among the ministers of finance, planning and labor have been aired in public. The president, José Sarney, has come under criticism from business leaders, who at

one point threatened "civil disobedience," and from labor bosses, who are contemplating a second general strike in two months.

"All we see is confusion, contradictions, hesitation and weakness," one foreign banker said.

Although Brazil will soon begin negotiations with foreign commercial banks to restructure a large part of its \$108 billion foreign debt, the banker said little progress could be expected until the government prepared a medium-term stabilization program.

During most of 1986, the government happily reaped the political rewards of stable prices and fast growth, and it won a big victory in mid-term elections Nov. 5. But officials now concede they failed to gauge the economic strains that a

See BRAZIL, Page 15

Most Contra Aid From Iran Deal Traced to Loan

By Walter Pincus
Washington Post Service

WASHINGTON — Congressional investigators now believe that a total of \$10.5 million was skimmed from the Iran arms deals to support Nicaraguan rebels and for other purposes, but only slightly more than \$2 million of that came from Tehran's payments for the weapons.

The remaining \$8.5 million that was diverted was part of a \$15 million loan made by the Saudi businessman Adnan M. Khashoggi in May 1986.

The loan was intended to finance a secret arms shipment to Iran that was to include two U.S. Hawk anti-aircraft missiles.

Shortly before the missiles were to be shipped, however, U.S. officials changed their minds about selling

them to Tehran, although the balance of the arms cache, 508 TOW missiles and spare parts for 240 Hawk missiles, was shipped.

Because the radar deal was aborted, \$8.5 million in loan money that had been advanced to cover the missiles was available for other purposes, according to congressional sources.

One of the continuing mysteries of the Iran-contra affair during the past three months has been what happened to all of the money and how millions of dollars were skimmed from the arms sales to Tehran.

Attorney General Edwin Meese 3d revealed on Nov. 25 that "certain monies" from the arms sales were improperly "made available to the forces in Central America which are opposing the Sandinista government there."

Mr. Meese repeatedly said the diverted money — which he estimated at \$10 million to \$30 million — had come from cash paid by Tehran for the missiles and spare parts Iran bought from the United States in 1986. Largely on the basis of a memo found in the files of a former National Security Council aide, Lieutenant Colonel Oliver L. North, Mr. Meese indicated that the diverted money had been accumulated by inflating the price of the weapons sold to Iran.

In fact, investigators now say that of the three deals in 1986, only

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Tehran Reports New Reagan Bid

The Associated Press

NICOSIA — Hashemi Rafsanjani, the speaker of the Iranian Majlis, or parliament, said on Wednesday that an intermediary for the United States approached Iranian leaders "a few days ago" and gave them a telephone number where they could contact President Ronald Reagan.

Referring to the disgraced U.S. adventure, "Tehran radio quoted Mr. Rafsanjani as saying, 'only a few days ago these people, once again, through a person who fully revealed his identity, contacted us and gave us a telephone number, saying that with that telephone number you could speak to Mr. Reagan.'"

McFarlane: Anguished And Adrift

By David Hoffman
and Susan Olcic
Washington Post Service

WASHINGTON — Robert C. McFarlane, the former national security adviser who took an overdose of a tranquilizer this week, was struggling to come to grips with growing uncertainty about his career after revelations of the Iran-contra affair, according to friends and associates.

They said that Mr. McFarlane had been anguished by the prospect of congressional inquiries in which he would be called many times to testify about the details of the Iran arms-sales policy.

Mr. McFarlane, 49, was hospitalized Monday after taking 30 to 30 Valium tablets in what police described as a suicide attempt. He was in good condition Wednesday at Bethesda Naval Hospital.

The revelations concerning the

Though commonly used in suicide attempts, Valium seldom causes death. Page 7.

Iran policy had prompted the gravest crisis of Ronald Reagan's presidency and had tarnished Mr. McFarlane's own long service in government and the military.

Mr. McFarlane was an enigmatic figure whom many regarded as stoic and stern, but he also assumed great personal responsibility for policy failure.

Since November, he had been thrown into the limelight as the architect of the policy of selling weapons to Iran, an initiative he later tried in vain to stop.

He resigned as Mr. Reagan's national security adviser in December 1985. He told friends several months later that he regretted the decision to leave. The decision was made against a backdrop of intense friction with the White House chief of staff, Donald T. Regan.

Friends said that Mr. McFarlane had found it difficult to adjust to life outside the government and that he worried that the Iran controversy would make it difficult for him ever to resume the kind of government policy-making that he most enjoyed.

An administration official said that when Mr. McFarlane left the White House it was "the first time in many years — the first time since entering Annapolis in 1955 — that he hadn't been inside an organization."

Mr. McFarlane took a post at the Georgetown Center for Strategic and International Studies, but was not satisfied, this official said. "He went from Annapolis to the Marine Corps to the Armed Services Committee to the State Department to the National Security Council staff," the official added.

"Now he was on his own at Georgetown, having left under unfavorable circumstances and having tried to get back into things through the Iran effort, only to have it all fall apart. He was sort of adrift, without a lot of friends, and with more pressure than he'd want to bring on himself."

Mr. McFarlane's friends and associates said that Mr. McFarlane felt he had testified openly and voluntarily about the Iran affair and that he was angry about questions raised by members of Congress about contradictions between his testimony and that of others.

Mr. McFarlane was said to be certain that he would be vindicated. See CAREER, Page 6

LATE NEWS

U.S. Tells Allies Not to Meddle

WASHINGTON (Reuters) — Western allies have no business telling Washington how to interpret the 1972 Anti-Ballistic Missile Treaty, which governs how fast the Strategic Defense Initiative, the space-based defense system, can be pursued, a senior U.S. official said Wednesday.

"I really don't think they have any qualifications for telling us what is the right interpretation of the ABM Treaty," Kenneth L. Adelman, head of the U.S. Arms Control and Disarmament Agency, said.

INSIDE TODAY

GENERAL NEWS

■ A U.S. panel concluded that President Ronald Reagan's policy of "constructive engagement" has failed. Page 2.

■ Sikh priests ordered the ex-communication of the Punjab chief minister. Page 3.

■ U.S. rejection of a Pacific nonnuclear zone followed debate within the Reagan administration. Page 2.

BUSINESS/FINANCE

■ The EC proposed a crackdown on Japan, as assembly plants that evade anti-dumping regulations. Page 9.

■ U.S. trade reports will be delayed each month in an effort to improve their accuracy. Page 9.

Food Trucks Barred From Beirut Camp

Reuters

BEIRUT — Shiite Muslim militiamen turned back on Wednesday two trucks loaded of emergency food for the besieged Burj al-Barajneh refugee camp near Beirut.

Sources within the Shiite Amal militia said the last-minute hitch had been caused by disagreement over details of a plan to end four months of fighting around refugee camps in Lebanon. At least 750 people have died in the fighting.

The sources said the entry of food into the camp had been postponed until Thursday after Amal militiamen failed to move back into positions in a strategic village in southern Lebanon.

"Our militiamen could not deploy in Magdousheh so the operation was postponed until tomorrow," an Amal source at a camp entrance said Wednesday.

Witnesses said the trucks, one supplied by the Iranian Embassy and one by Palestinians, carried three tons of rice and flour for the estimated 20,000 refugees in the camp.

Dr. Pauline Cutting, 35, a British surgeon working at the camp's Haila Hospital, said Tuesday by radio that the refugees had been forced to eat cats, dogs and rats to survive.

"I have eaten dogs myself," she said. "I have seen many, many others eat cats and dogs."

Burj al-Barajneh's Muslim resi-

See CAMPS, Page 2

U.S. Admiral Warns the Fleet of Foot Pacific Commander Scuttles Fitness Test for Older Salts

By George C. Wilson
Washington Post Service

WASHINGTON — The 238,000 navy members of the U.S. Pacific Fleet have been warned not to jog themselves to death, and fitness tests have been scrapped that required fleet members age 45 and older to run.

Admiral James A. Lyons Jr., declaring that "heart attacks are taking the lives of too many members," has ordered that those in his command 45 and older need only walk briskly for three miles (4.8 kilometers), not run one and a half miles, as part of the fitness test.

"I expect you to be physically fit," he said. "I don't expect you to die getting there."

In Washington, navy officials conceded Tuesday that they had been startled to learn that Admiral Lyons, in his order Thursday, had taken it upon himself to change the navy's fitness requirements, even for his own command.

A spokesman for the Navy Personnel Command said Tuesday that Admiral Lyons' order was under

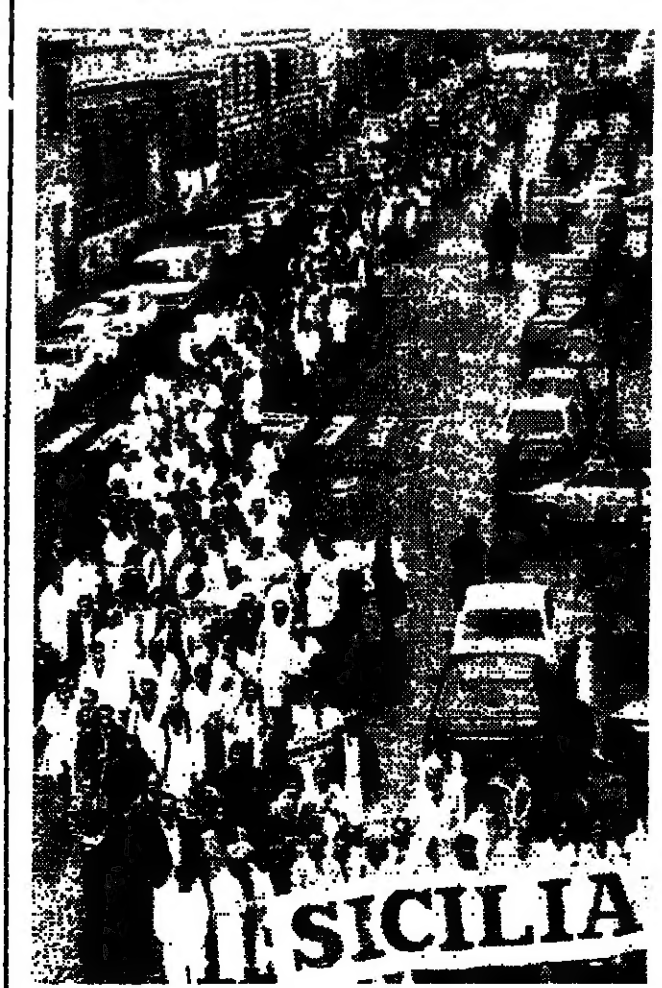
review to determine if running tests should eased throughout the navy.

The requirement scuttled by Admiral Lyons for the Pacific Command still applies to the 345,000 other members of the navy. It states that, in fitness tests conducted every six months, men age 40 to 49 must run one and a half miles in no more than 16 minutes 30 seconds and women in no more than 18 minutes 15 seconds.

Under Admiral Lyons' order, men in the Pacific Command 45 and older now can satisfy the running requirement by walking three miles in 45 minutes 34 seconds. The time for women is 48 minutes 55 seconds.

Admiral Lyons ordered that those in his command over 45 be examined by an internist and cardiologist before a "strenuous exercise" program such as running.

His directive apparently was prompted in part by the death on Jan. 19 of Rear Admiral Jack N. Darby, 50, the Pacific submarine-force commander, who had a heart attack after his morning run.



In Europe, a Flurry of Protests

Demonstrations by Spanish student protesters turned violent Wednesday in Bilbao, where policemen charged demonstrators who through gasoline bombs. Protests continued in Madrid.

There were demonstrations in Barcelona by 7,000 workers from the automobile manufacturer, SEAT, above. Thousands of French teachers marched through Paris, right, to oppose government plans to step up staff discipline in schools. In Rome, doctors, below, marched in criticism of the state-run hospitals.



See CAREER, Page 6

U.S. Policy on Pretoria Has Failed, Committee Named by Shultz Finds

By Neil A. Lewis
New York Times Service
WASHINGTON — A panel appointed by the Reagan administration to evaluate American policy toward South Africa has concluded that the administration's policy of "constructive engagement" has failed.

The panel also said in its report Tuesday that it was important to undertake immediately a broad effort aimed at strengthening U.S. ties with South African blacks who eventually will lead the country.

It recommended a "concerted international effort" to impose sanctions and isolate South Africa economically.

The issue of increasing sanctions against South Africa produced a sharp split among the panel's 12 members, who were drawn from business, labor and politics.

The majority said that President Ronald Reagan should make it a high priority to persuade American allies to impose sanctions comparable to those implemented last year by the United States.

The panel, headed by William T. Coleman, transportation secretary under President Gerald R. Ford, and Frank T. Cary, former chairman of IBM, said Mr. Reagan should be prepared to exert "substantial influence."

Three members of the panel disagreed, saying use of sanctions to promote change was "wasteful and counterproductive." They were Roger B. Smith, chairman of General Motors; Lawrence S. Eagleburger, former undersecretary of state; and John R. Dellenback, a former Republican congressman from Oregon.

Two members said that the panel did not go far enough in recommending punitive sanctions.

The majority said that widespread imposition of sanctions would show Pretoria that economic growth would be unlikely until apartheid was ended.

"We recommend that the president begin urgent consultations with our allies, especially Britain, Canada, West Germany, France, Japan and Israel," the report said, "to enlist their support for a multilateral program of sanctions."

The prospects for such coordinated sanctions, however, seemed remote. The administration imposed economic penalties last year only reluctantly after Congress overrode Mr. Reagan's veto.

Members of the European Community balked at imposing all but mild penalties at the time.

A spokesman for the State Department was quick to repeat the administration's opposition to economic measures and contended

that the South African government's response to the last round of sanctions demonstrated that they were ineffective.

The panel was named by Secretary of State George P. Shultz in December 1985, as part of the administration's effort to forestall rising sentiment in Congress for sanctions against Pretoria.

Charles E. Redman, the State Department spokesman, said: "The administration continues to maintain its skepticism about the efficacy of broad punitive sanctions in bringing about peaceful change in South Africa."

Mr. Redman also disputed the significance of the report's characterization of "constructive engagement" as a failure.

Under that policy, officials muted public criticism of the Pretoria government and used quiet diplomacy to encourage measures to dismantle apartheid and to achieve regional settlements in southern Africa.

The report said that on both domestic and regional issues, the policy did not work. "It is clear that constructive engagement has failed to achieve its original objective," the report concluded.

A principal theme of the report was that the United States should strengthen its ties to South African blacks and to help equip them for eventual self-government.

"An urgent task for U.S. policymakers is to develop a good working relationship with South Africa's black majority," the report said.

"Inevitably, U.S. relations with a government supported by the majority of South Africans will be strongly influenced by the links that are established during the period of struggle."

Mr. Shultz met last month with Oliver Tambo, the head of the African National Congress, the leading exile guerrilla group fighting to overthrow the Pretoria government.

■ Rights Violations Cited

A United Nations report issued in Geneva on Tuesday says violations of human rights in South Africa have reached unprecedented proportions, including unreasoned use of death sentences, torture, banning orders, arrests and violence by the police and security forces. The New York Times reported.

The report, which was submitted to the 43-nation United Nations Commission on Human Rights, also said the proclamation of a state of emergency had led to increased acts of violence by security forces "which enjoy almost total immunity."



Children who fled the Burj al-Brajneh camp upon their arrival Wednesday at the Mar Elias camp in West Beirut.

CAMPS: Food Shipment Delayed

(Continued from Page 1)

deaths have asked religious leaders for permission to eat human flesh to survive, but Dr. Cutting said that they "have not resorted to that yet."

On Saturday, a truck loaded with flour attempted to break the blockade, but it was hit by rockets fired by Amal fighters surrounding the camp. Its four occupants were killed. Amal contended that the truck was carrying ammunition and Palestinian fighters.

In November 1985, Amal lost its positions in Maghdousheh to Palestinians, who said they had seized the village to ease Amal pressure on camps in the Beirut area and in southern Lebanon.

The hilltop village, which is near Sidon, is within machine-gun range of Amal's main coastal supply route to the south.

The Palestinians withdrew in January from Maghdousheh. Sunni Muslim militiamen replaced the Palestinians, but Amal rejected this move.

"It took constant work to get the inter-agency process to focus on the dangers" of the nuclear-free zone, said an official involved in the U.S. negotiations. "I was surprised," he added, "at how far along the proposal had moved before opposition coalesced."

The South Pacific pact, known as the Treaty of Rarotonga and signed in August by New Zealand, Australia and 11 smaller island nations composing the South Pacific Forum, bans nuclear testing, stocking

of nuclear weapons, and dumping nuclear waste. But it appeared to allow free passage of nuclear-armed ships.

Invitations to sign three protocols accepting the accord had been extended to France, the United States, the Soviet Union, China and Britain.

The Soviet Union and China signed the protocols but Soviet acceptance was phrased to exclude port calls by nuclear-armed vessels and China said that its compliance would cease if the pact was violated by any other signatory.

Britain has not announced its decision. U.S. supporters of the agreement argued that it protected Western military needs in the region because it allowed free passage of nuclear-armed vessels.

The treaty appeared, they said, to permit the longstanding U.S. practice of refusing to identify which vessels or aircraft are armed with nuclear weapons. This policy allows many nations to provide landing rights for U.S. planes and port facilities for U.S. Navy vessels.

At the same time, they said, the agreement would have blunted anti-Americanism in Australian domestic politics.

Bob Hawke, Australia's prime minister, who was instrumental in drafting the pact, hoped it would defuse anti-nuclear sentiments on the fringe of his Labor Party without harming his nation's ability to cooperate militarily with the United States in the ANZUS pact.

In the United States, opponents of the pact said that its terms failed to guarantee access to ports and airfields.

New Zealand, for example, sees the terms of the proposal as forbidding stopovers by nuclear-armed ships and planes. In Australia, some opposition politicians also interpret the pact as denying such access.

The pact's ramifications, U.S. and French officials said, could have jeopardized U.S. strategic interests globally, notably in the northern Pacific.

For example, they said, the nuclear-free zone proposed by Indonesia for the Association of South East Asian Nations, or ASEAN, would cover the Philippines and threaten the existence of U.S. bases there.

"We look at each proposal with our criteria," said a U.S. official, "but in practice it's looking less and less likely that we'll ever sign on to a nonnuclear zone anywhere."

The United States has signed four nuclear-free zones agreements, covering South America, Antarctica, outer space and the seabed.

But these accords are designed to prevent proliferation of nuclear weapons in areas where none are stationed or where nuclear threats are old nations have declined to sign the Nuclear Nonproliferation Treaty, according to Charles E. Redman, the State Department spokesman.

Colonel North and his collaborators apparently planned to make up Mr. Khashoggi's shortfall by inflating the price of the rest of the arms that were sent to Iran in May, notably the spare parts for the 240 Hawk missiles. That scheme, however, ran into trouble with the Iranians, who balked at paying \$24 million.

Furthermore, only a small portion of the spare parts were shipped on the plane that carried the former national security adviser, Robert C. McFarlane, to Tehran in late May. When the American hostages were not released, Mr. McFarlane left and refused to permit shipment of the remaining Hawk parts.

Tehran then refused to pay for the parts Iran had received from Mr. McFarlane. Hectic negotiations began. In the end, the remaining Hawk spare parts were shipped in August after one hostage, the Reverend Lawrence M. Jenco, was released. But Tehran paid \$8 million for the spare parts, instead of the \$24 million the White House had demanded. The \$8 million was sent to Mr. Khashoggi, who had expected at least \$15 million and now says that he was shortchanged.

Left in the original Swiss account

The next sale, in May, was again financed by Mr. Khashoggi. On May 15 he put \$15 million into the Swiss account to finance a package that was to include Hawk missile spare parts, two Hawk radars and 508 TOW missiles, sources said.

The radars, used to guide Hawk anti-aircraft batteries, were among the military supplies that Shah Mohammed Reza Pahlavi of Iran had

pururchased from the United States but which were never shipped from the United States after the U.S. Embassy in Tehran was seized in November 1979. These military supplies have been the subject of legal dickerings for years between Washington and Tehran.

In May 1986, however, U.S. officials initially agreed to include the radars in an arms package that was intended to release the remaining American hostages held in Lebanon by pro-Iranian extremists.

Before the radars could be sent, however, "the legal people" blocked the shipment, a congressional source said in an apparent reference to government lawyers who were concerned about dipping into what was supposed to be a legally frozen Iranian arms cache.

After removing the radars from the arms package in May, the shipment's value totaled \$6.5 million, including the Hawk missile spare parts, costing \$4.4 million, and the TOW missiles, valued at \$2.1 million.

That \$6.5 million was taken from the Swiss bank account that had received Mr. Khashoggi's loan. On May 16, Colonel North and Major General Richard V. Secord, a retired U.S. Air Force officer, moved the money into another Swiss account controlled by the CIA, according to the recent report of the Senate Select Committee on Intelligence.

The official news agency Tass said the drop could be traced to the decline in alcohol consumption. Tass also noted that job-related injuries had declined 33 percent in the last two years, and that deaths from cardiovascular diseases had fallen since 1984.

Since the late 1970s, the Soviet Union had kept certain statistics on the population secret, apparently because they would reveal a picture of a society in poor, and worsening, health. Under the campaign for openness begun Mikhail S. Gorbachev, such statistics again are being published. Figures on infant mortality released in November showed the Soviet Union lagging behind the West and Eastern Europe, except Romania.

U.S. Rejected Pacific Pact After Months of Debate

French Opposed Nuclear-Free Zone, Recommended by American Admiral

By Joseph Fitchett
International Herald Tribune

PARIS — The U.S. rejection of a South Pacific nuclear-free zone followed a debate within the Reagan administration after the U.S. commander in the region initially recommended approval, American and French officials said Wednesday.

France, worried that the United States might accept the pact and fearing further diplomatic isolation over its nuclear testing site at Mururoa atoll, lobbied strongly for months in Washington, the officials said.

The United States announced last week that it would not sign the accord.

Despite official statements of U.S. opposition, there was wavering within the Reagan administration, the officials said.

Admiral Ronald J. Hays, commander in chief of U.S. forces in the Pacific, at first recommended accepting the proposed treaty because it did not conflict with U.S. military needs in the region. But his views were overridden in Washington after debate among senior officials in the State and Defense departments.

"It took constant work to get the inter-agency process to focus on the dangers" of the nuclear-free zone, said an official involved in the U.S. negotiations. "I was surprised," he added, "at how far along the proposal had moved before opposition coalesced."

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At the same time, they said, the agreement would have blunted anti-Americanism in Australian domestic politics.

Bob Hawke, Australia's prime minister, who was instrumental in drafting the pact, hoped it would defuse anti-nuclear sentiments on the fringe of his Labor Party without harming his nation's ability to cooperate militarily with the United States in the ANZUS pact.

In the United States, opponents of the pact said that its terms failed to guarantee access to ports and airfields.

New Zealand, for example, sees the terms of the proposal as forbidding stopovers by nuclear-armed ships and planes. In Australia, some opposition politicians also interpret the pact as denying such access.

The pact's ramifications, U.S. and French officials said, could have jeopardized U.S. strategic interests globally, notably in the northern Pacific.

For example, they said, the nuclear-free zone proposed by Indonesia for the Association of South East Asian Nations, or ASEAN, would cover the Philippines and threaten the existence of U.S. bases there.

"We look at each proposal with our criteria," said a U.S. official, "but in practice it's looking less and less likely that we'll ever sign on to a nonnuclear zone anywhere."

The United States has signed four nuclear-free zones agreements, covering South America, Antarctica, outer space and the seabed.

But these accords are designed to prevent proliferation of nuclear weapons in areas where none are stationed or where nuclear threats are old nations have declined to sign the Nuclear Nonproliferation Treaty, according to Charles E. Redman, the State Department spokesman.

Colonel North and his collaborators apparently planned to make up Mr. Khashoggi's shortfall by inflating the price of the rest of the arms that were sent to Iran in May, notably the spare parts for the 240 Hawk missiles. That scheme, however, ran into trouble with the Iranians, who balked at paying \$24 million.

Furthermore, only a small portion of the spare parts were shipped on the plane that carried the former national security adviser, Robert C. McFarlane, to Tehran in late May. When the American hostages were not released, Mr. McFarlane left and refused to permit shipment of the remaining Hawk parts.

Tehran then refused to pay for the parts Iran had received from Mr. McFarlane. Hectic negotiations began. In the end, the remaining Hawk spare parts were shipped in August after one hostage, the Reverend Lawrence M. Jenco, was released. But Tehran paid \$8 million for the spare parts, instead of the \$24 million the White House had demanded. The \$8 million was sent to Mr. Khashoggi, who had expected at least \$15 million and now says that he was shortchanged.

Left in the original Swiss account

The next sale, in May, was again financed by Mr. Khashoggi. On May 15 he put \$15 million into the Swiss account to finance a package that was to include Hawk missile spare parts, two Hawk radars and 508 TOW missiles, sources said.

The radars, used to guide Hawk anti-aircraft batteries, were among the military supplies that Shah Mohammed Reza Pahlavi of Iran had

pururchased from the United States but which were never shipped from the United States after the U.S. Embassy in Tehran was seized in November 1979. These military supplies have been the subject of legal dickerings for years between Washington and Tehran.

In May 1986, however, U.S. officials initially agreed to include the radars in an arms package that was intended to release the remaining American hostages held in Lebanon by pro-Iranian extremists.

Before the radars could be sent, however, "the legal people" blocked the shipment, a congressional source said in an apparent reference to government lawyers who were concerned about dipping into what was supposed to be a legally frozen Iranian arms cache.

After removing the radars from the arms package in May, the shipment's value totaled \$6.5 million, including the Hawk missile spare parts, costing \$4.4 million, and the TOW missiles, valued at \$2.1 million.

That \$6.5 million was taken from the Swiss bank account that had received Mr. Khashoggi's loan. On May 16, Colonel North and Major General Richard V. Secord, a retired U.S. Air Force officer, moved the money into another Swiss account controlled by the CIA, according to the recent report of the Senate Select Committee on Intelligence.

The official news agency Tass said the drop could be traced to the decline in alcohol consumption. Tass also noted that job-related injuries had declined 33 percent in the last two years, and that deaths from cardiovascular diseases had fallen since 1984.

Since the late 1970s, the Soviet Union had kept certain statistics on the population secret, apparently because they would reveal a picture of a society in poor, and worsening, health. Under the campaign for openness begun Mikhail S. Gorbachev, such statistics again are being published. Figures on infant mortality released in November showed the Soviet Union lagging behind the West and Eastern Europe, except Romania.

WORLD BRIEFS

Renault Chief's Killing Acknowledged

PARIS (WP) — A French terrorist group has formally acknowledged responsibility for murdering a prominent industrialist here in November but repudiated two subsequent killings widely attributed to its militants, it was reported on Wednesday.

A statement signed by the underground organization, Direct Action, said the group killed Georges Besse, 58, head of the state-owned Renault automobile company. But it denied the attempted killing of the former justice minister, Alain Peyrefitte, in December and the thwarted bombing of Judge Jean-Louis Bruguiere last month. Both were generally thought to be Direct Action attacks.

China Sets Rules for Correspondents

BEIJING (AFP) — Chinese authorities outlined on Wednesday what they considered to be abnormal activities for foreign journalists here less than two weeks after expelling Lawrence MacDonald, the correspondent of Agence France-Presse.

In response to questions at a weekly press briefing, Ma Yunchen, the spokesman for the Foreign Ministry, indicated that journalists in China could be considered to be engaged in abnormal activities if they entered an area not yet opened to foreigners or entered closed military zones to take photographs.

Mr. Ma also said that it could be considered abnormal if a journalist collected confidential state information through payments of money or other "improper means."

Shultz Backs Foreign Aid Package

WASHINGTON (AP) — The secretary of state, George P. Shultz, declaring that the United States now has "the winning hand" in competing with communism around the world, urged Congress on Wednesday to approve \$15.2 billion in overseas spending.

Mr. Shultz said that sharp cuts in appropriations over the past few years have forced the State Department to close posts abroad and have weakened U.S. foreign policy. "It doesn't make sense for the United States to be withdrawing from the world just as our ideas are coming to the forefront," Mr. Shultz said. He added that overseas programs dropped from \$22.9 billion in the 1985 fiscal year to \$19.1 billion last year and \$17.3 billion this year.

President Ronald Reagan is asking Congress for \$1.024 trillion for the 1988 fiscal year, which begins Oct. 1. That includes \$312 billion for the military and \$15.2 billion for foreign aid and international programs. "If we don't have the resources to do our job, we just have to cut out chunks of our job that should be done," Mr. Shultz said in a speech to a group of educators.

South African Detainees Targassed

JOHANNESBURG (AP) — People detained under South Africa's state of emergency have staged hundreds of hunger strikes and 20 disturbances that prompted authorities to use tear gas, the minister of justice said.

H. J. Coetsee said 1,456 emergency detainees have participated in hunger strikes between June 12 last year and Jan. 31. Mr. Coetsee said the actions were "mostly undertaken by large groups of detainees on an obviously orchestrated basis." He said authorities have used tear gas against detainees during 20 disturbances since the first state of emergency was imposed in 1985. They ranged from assaults on prison staff to refusal to return to cells after a break, he said.

The government has not said how many people it has detained. It told Parliament late last year that 9,667 had been detained for more than 30 days since June 12, but gave no further details.

Iran Marks Anniversary of Gulf War

TEHRAN (Reuters) — Mass demonstrations were held across Iran on Wednesday to mark the eighth anniversary of the Islamic revolution as Iraqi jets attacked several Iranian cities.

Iran's War Information Headquarters warned Baghdad residents to evacuate the Iraqi capital because Iraq would attack the city in the "coming hours" in retaliation.

In Tehran, many of the people filling the capital's biggest square raised their fists and shouted, "Air raids are not effective any more" when a warplane traced a line of white smoke across the sky and anti-aircraft guns opened fire. The national news agency, IRNA, said no attack was carried out on Tehran, but civilians were killed or wounded when residential areas in six other cities — Borujerd, Kuydasht, Nahavand, Qom, Tabriz and Urmia — were bombed.

For the Record

The major opposition alliances in Bangladesh have called a nationwide half-day general strike for Monday to press demands that President Hussain Mohammad Ershad's government resign and call new national elections.

The Arctic Tern, a Piper six-seater aircraft, left Fairbanks on Wednesday for the North Pole headed for Paris in its quest to become the first single-engine propeller-driven plane to circle the globe pole to pole. Richard Norton, the pilot, and Colin Rosetti, the copilot, began their voyage Jan. 21 in Paris.

(UPI)

MONEY: \$10.5 Million Was Skimmed in Iran Deal

(Continued from Page 1)

the final sale in October generated any profit in the way that Colonel North's memo described. In that sale in October, the Iranians paid \$4 million in advance for 500 TOW anti-tank missiles; but the Pentagon charged the Central Intelligence Agency only \$2,037,000. The remaining \$1.9 million paid by Tehran has not been located.

Investigators now believe that Mr. Khashoggi inadvertently provided most of the diverted cash in one of the two other deals. The Arab financier had served as banker since the first shipment of U.S.-made arms from Israeli stocks in mid-1985.

Until that final sale of weapons in October 1986, when Mr. Khashoggi was cut out of the action, he typically would put up the money for a deal in a Swiss bank account. A portion, covering the cost of the weapons, would be transferred to the CIA, which would tell the U.S. Army it had received the funds.

The army would transfer the arms to the CIA, which then shipped them to Tehran. Iran would pay its middleman, who would reimburse Mr. Khashoggi.

The first 1986 Iranian purchase of 1,000 U.S. TOWs in February was made virtually "at cost," a congressional source said. The Iranians paid \$3.5 million for the TOWs, which was the same amount the Pentagon charged for them, and another \$2 million for shipping costs and middleman profits, sources said.

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Soviet Cites Drop in Mortality Rate, Credits Anti-Drunkenness Campaign

MOSCOW — The Soviet Union's campaign against drunkenness has led to a sharp fall in the mortality rate among the working population, according to statistics released Tuesday.

The Central Statistical Administration, opening up a once-taboo subject, reported that mortalities among the working population had dropped 15 percent since 1984: from 510 to 432 per 100,000 population.

The official news agency Tass said the drop could be traced to the decline in alcohol consumption. Tass also noted that job-related injuries had declined 33 percent in the last two years, and that deaths from cardiovascular diseases had fallen since 1984.

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Inquiry in Iran Affair Is Said to Widen to Include Possible Cover-up

By Jack Nelson
and Michael Wines
Los Angeles Times Service

WASHINGTON — The federal criminal investigation of the Iran-contra affair has widened to include recently discovered indications that key figures in the operation tried to cover up the affair as it began to unravel last fall, according to a government source.

The reported expansion of the investigation by the independent counsel, Lawrence E. Walsh, came Tuesday as FBI agents reviewed computer records of the National Security Council that sources said may shed new light on the affair.

It was not immediately clear whether information in those records was related to the broadened investigation.

The records, part of an electronic filing system disclosed to investigators by the White House this winter, contain copies of private messages sent between the council's offices to the White House internal computer network, called PROFS.

The suggestion that officials tried to conceal

parts of the Iran operation appears to focus on individuals who took part in the 18-month operation, in which proceeds from arms dealings with Iran were diverted to benefit the Nicaraguan rebels, who are known as contras.

There is no indication that the allegations involve President Ronald Reagan or other senior White House officials, said the source, who asked not to be identified.

But, while refusing to describe the nature of the apparent effort at concealment, the source said Tuesday that "the scandal aspect" of the Iran-contra affair "has been heightened to include a cover-up."

The computer messages under scrutiny by the Federal Bureau of Investigation, which range from routine memos and obscure jokes to eyes-only accounts of intelligence operations, were composed and sent by most security council employees in the belief that they were not being recorded elsewhere.

In fact, however, their contents were stored on computer discs and retained for at least one to two months before being erased, a White House spokesman, Dan Howard, said Tuesday.

One useful administration official said: "We

were living under a delusion. We thought when we deleted them from our own files, that they disappeared. In fact, they were just going into storage."

NSC employees and even one former worker used the computer system regularly to send informal, confidential messages to one another, administration sources say. Since the messages often were not written for the formal files that make up the National Security Council's official document record, they may be especially revealing.

It was not known how many months' worth of messages were contained on the discs given to Mr. Walsh. However, on Nov. 28, Attorney General Edwin Meese 3d ordered the preservation of all written, electronic and tape recorded data relevant to the Iran-contra inquiry. That would indicate that messages dating to at least the end of October were available.

The message records were said Tuesday to have led the Central Intelligence Agency to reopen its own investigation of its role in aiding a private supply pipeline to the Nicaraguan rebels that was directed by a former National

Security Council aide, Lieutenant Colonel Oliver L. North.

The agency's Costa Rica station chief, who goes by the pseudonym of Tomas Castillo, reportedly had told CIA officials that he played no significant role in aiding Colonel North's management of the supply pipeline, an act that probably was not illegal but was against the agency's stated policy.

One government source said Monday, however, that an electronic message sent by Colonel North and preserved in the security council's computer discs describes Mr. Castillo's involvement in the rebel supply routes in detail.

Reagan Meets Panel

David Hoffman of The Washington Post reported from Washington:

Mr. Reagan met for a second time Wednesday with the commission that is studying reforms at the National Security Council, to answer questions about his knowledge of the affair. He was scheduled to spend one hour with the three commission members, former Senator John G. Tower, Republican of Texas; former Secretary of State Edmund S. Muskie,

and Brent Scowcroft, a former national security adviser.

The chief White House spokesman, Martin Fitzwater, said Tuesday that the three panel members had been allowed Tuesday to examine for one hour typewritten excerpts of Mr. Reagan's handwritten notes dealing with the subject.

Mr. Reagan personally reviewed his notes and determined what was relevant to the panel's inquiry before sending them to the commission, Mr. Fitzwater said.

Contrary to a statement he made earlier in the day, Mr. Fitzwater said the agreement stipulated that the notes would not be published in the board's report, expected next week, although he said they will "undoubtedly be discussed."

The White House also announced Tuesday night that Mr. Reagan had refused a request by the Tower panel to order his former national security adviser, Vice Admiral John M. Poindexter, and Colonel North, who was an aide to Admiral Poindexter, to testify.

Mr. Fitzwater said that the White House counsel, Peter J. Wallison, had determined that

such an order from Mr. Reagan would be "unlawful" because it would require Admiral Poindexter and Colonel North to "testify against themselves."

Mr. Fitzwater disclosed that the board had asked Mr. Reagan on Feb. 4 to act as commander in chief and order both men to appear before the board for questioning.

According to Mr. Fitzwater, Mr. Wallison responded two days later that Colonel North and Admiral Poindexter had a "constitutional protection against self-incrimination" and had a similar protection under Article 31 of the Uniform Code of Military Justice.

Admiral Poindexter resigned and Colonel North was dismissed Nov. 25 after the disclosure that money from the sale of arms to Iran was diverted, possibly illegally, to the Nicaraguan rebels. Both men have returned to active duty in the military.

In December, Mr. Reagan urged Congress to grant limited immunity to Colonel North and Admiral Poindexter to compel their testimony before investigation panels.

Members of the Senate intelligence committee rejected Mr. Reagan's appeal.

Reagan Said To Choose Friend as Senior Aide

By Steven V. Roberts
New York Times Service

WASHINGTON — President Ronald Reagan, facing the most serious crisis of his presidency, is bringing Stuart K. Spencer, one of his oldest political confidants, into the White House to serve as a senior staff member, a source close to the president said.

Mr. Spencer, who helped run Mr. Reagan's first campaign for governor of California in 1966, is considered a master political operator.

The decision to draft him for the final two years of the Reagan presidency, and his willingness to accept after previously wanting only informal roles reflect a deepening concern among White House officials over the direction of the administration and its lack of control over events.

The crisis stems in part from the secret arms sales to Iran and the apparent diversion of profits from such sales to the Nicaraguan rebels, known as contras. In addition, elections in November returned the Senate to Democratic control, and Mr. Reagan's health following prostate surgery has prevented him from playing a visible public role in recent weeks.

The source did not specify Tuesday which post Mr. Spencer would occupy, but it could be director of communications, a job recently vacated by Patrick J. Buchanan. Another possibility is assistant for political affairs. The current occupant of that post, Mitchell E. Daniels Jr., is also leaving the White House.

Mr. Spencer could not be reached for comment.

Mr. Spencer is one of several longtime friends of the president who have been pressing for the removal of Donald T. Regan as White House chief of staff. These friends maintain that Mr. Regan has acquired too much influence and has blocked other voices from reaching the president.

Mr. Regan, a former Wall Street executive and secretary of the Treasury, has openly conceded his lack of political experience and is said to welcome the arrival of Mr. Spencer. But, given Mr. Spencer's long and close ties to the president, he could come to rival the chief of staff in terms of influence in the White House.

Some sources close to the president have suggested that Mr. Regan is reluctant to leave the White House now because the Iran-Nicaragua affair would make it appear that he was "going out under some form of cloud," as one source said. If the Iran affair can be dissipated, the source added, Mr. Regan might be induced to leave sometime in the next few months.

Mr. Spencer and his partner, Bill Roberts, are regarded as pioneers in the business of political consulting. In 1964, a group of wealthy businessmen approached the two strategists and asked them to help run the campaign of Mr. Reagan, then an actor, for governor of California.

The Spencer-Roberts team did not share the rightist ideology of the Reagan supporters, but they took on the job and helped label Mr. Reagan with the winning sobriquet, "citizen politician." They had run Nelson A. Rockefeller's campaign for the Republican presidential nomination in 1964.

High Death Rate Found For Vietnam Veterans

New York Times Service

WASHINGTON — Within five years of returning to civilian life, U.S. Army combat veterans who served in Vietnam had an overall death rate 45 percent higher than a comparison group of veterans who served elsewhere in the same period, according to a government study about to be published.

In the first five years of individual discharges, there were 110 deaths among 9,324 Vietnam veterans and 73 deaths among 8,989 veterans who served elsewhere, a 45 percent difference in death rates. The report said violent deaths, including motor vehicle accidents, suicides, homicides and accidental poisonings, mainly drug overdoses, accounted for much of the difference.

Anti-AIDS Condom Ads Urged for TV But U.S. Networks Oppose Surgeon General's Proposal

By Leslie Maitland Werner
New York Times Service

WASHINGTON — The U.S. surgeon general, saying that condoms offered the best protection from the deadly AIDS virus for those who "will not practice abstinence or monogamy," has called for condoms to be widely advertised on television.

Under questioning by members of a House of Representatives subcommittee, Dr. C. Everett Koop said Tuesday that the growing threat posed by acquired immune deficiency syndrome made such advertisements necessary.

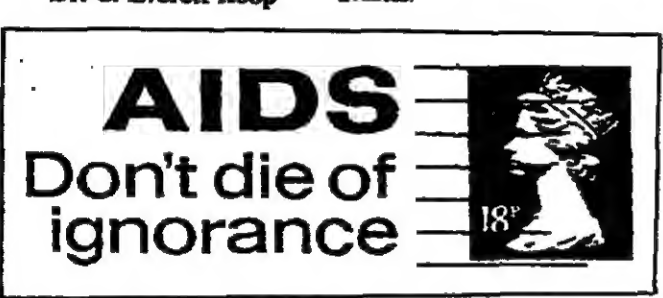
He said that the ads "would have a positive public health benefit."

A small number of local television stations in the United States now accept advertisements for condoms. The three major networks do not.

Dr. Koop said that the advertisements should carry messages about the "proper use of condoms from start to finish" to assure their effectiveness.



Dr. C. Everett Koop



In a campaign against AIDS, the British Post Office will use this slogan as it cancels stamps on millions of letters.

He said he was particularly concerned about the rise in AIDS cases among blacks and people of Hispanic descent and urged that advertisements be developed and aimed at those groups.

Blacks make up 12 percent of the population but account for 25 percent of AIDS cases, he said, adding that Hispanic people, who make up 6 percent of the population, account for 14 percent of the cases.

AIDS, which cripples the immune system, is spread through sexual intercourse and exchanges of blood such as on contaminated hypodermic needles.

In the United States, the disease now mainly affects homosexual men and intravenous drug users, but 4 percent of the U.S. cases have been attributed to heterosexual intercourse. Many experts fear that proportion will rise.

The views presented by Dr. Koop to the Subcommittee on Health and the Environment of the House Committee on Energy and Commerce were countered by opinions expressed by a number of Republican members and by representatives of the three television networks.

The network representatives said that such advertisements might prove offensive to viewers. However, they said that they would continue to review their policies on accepting the advertisements.

William E. Dannemeyer, Republican of California, said that it was a "delusion" to present condoms as a means of protection from AIDS, given their potential for failure.

"Encouraging frightened citizens

to buy condoms and 'be safe' can only result in devastating consequences," he said.

Mr. Dannemeyer also said that advocating the use of condoms would undermine efforts to promote abstinence, heterosexuality and faithfulness to one sexual partner.

He recommended the enactment of other measures, including mandatory reporting to public health authorities of anyone whose blood tested positive for exposure to AIDS.

Mr. Dannemeyer also urged enactment of a requirement for premarital blood tests for the disease, and proposed making it a crime for anyone who knows he has been infected to "transmit bodily fluids" to other people.

Ralph Daniels, the vice president for broadcast standards at the NBC television network, said that advertisements for condoms "are unacceptable to a significant portion of our audience."

Some viewers, he said, regard such advertisements as offensive "on moral or religious grounds" because condoms are a method of birth control.

AIDS in East Germany

Niels Soennichsen, the head of an advisory group on AIDS at the East German Health Ministry, gave Wednesday the first official report of a death from the disease in the nation. Reuters reported from Berlin. Mr. Soennichsen said 14 other East Germans had been found to be infected with the AIDS virus.



Foreign Minister Leo Tindemans of Belgium, left, listening as Foreign Minister Mario Rafael Quiñonez Amézquita of Guatemala read the final communiqué of the conference.

EC-Central America Meeting Closes With Hopes for Peace Even Dimmer

By James LeMayne
New York Times Service

GUATEMALA CITY — Differences between Nicaragua and its neighbors are sharpening, making a negotiated settlement of regional disputes more unlikely than ever, according to delegates at a meeting here called to discuss Central American issues.

The delegates — from the European Community, the Contadora negotiating group of Latin American countries and five Central American nations — issued a declaration backing the four-year Contadora effort to negotiate an end to tensions in the region.

But the three-day meeting was an exhausting exercise in which the gap between Nicaragua and its neighbors, particularly Honduras, El Salvador and Costa Rica, was wider than ever, according to several participants.

"There is no willingness to settle their differences," a European diplomat said Wednesday. "The chances of a negotiated settlement are about nil."

It was the third meeting in as many years between EC officials, their Central American counterparts, and Contadora representatives.

This weekend, the presidents of El Salvador, Costa Rica, Honduras and Guatemala are to meet in Costa Rica. They are expected to initiate what amounts to a new Central

American initiative that sidesteps the Contadora process, apparently in an effort to isolate Nicaragua diplomatically.

"Here there are four countries who have democratic principles and institutions and one country, Nicaragua, which does not have democratic institutions," said the Costa Rican foreign minister, Rodrigo Madrigal Nieto.

However, despite such criticism of Nicaragua, European delegates at the meeting said they remained opposed to the U.S. policy of using military force to put pressure on the Sandinistas.

The Europeans appear to agree that the Contadora effort, led by Mexico and seven other Latin American nations, remains the best way of averting a U.S.-led invasion of Nicaragua, which they say their governments continue to oppose.

"We don't believe the problems of the area can be resolved by armed force," said the British representative, Lady Young. She repeatedly stressed British support for the Contadora process.

Three European representatives said their governments were concerned by remarks made by a special U.S. envoy, Philip C. Habib, during a recent visit to Europe. They said that Mr. Habib had strongly suggested the possibility of a U.S. attack on Nicaragua and had asked for reduced European support for Managua.

Both European and Latin American officials privately criticized the Sandinistas for failing to make the Nicaraguan revolution more pluralistic. But they voiced almost no support for the U.S.-backed Nicaraguan guerrillas, known as contras.

The tense relations between Nicaragua and its neighbors were typified by Nicaragua's refusal to let the foreign minister of El Salvador, Rodolfo Castillo Claramount, make his speech in the name of the five Central American countries represented. The Salvadorans reacted harshly, and in the end no speech was given.

Other Nationals Using Mexico to Reach U.S.

New York Times Service

MEXICO CITY — Citizens of countries as far away as India, China, Yugoslavia and Lebanon are increasingly using Mexico as a transit and staging point to enter the United States, according to American and Mexican government officials.

From 1982 to 1985, the number of illegal immigrants from countries "other than Mexico" detained at the U.S.-Mexican border rose 50 percent, from 24,325 to 36,689, according to immigration service statistics.

Manila to Study Rights Abuses by Rebels

By Michael Richardson
International Herald Tribune

MANILA — President Corason C. Aquino, accepting a suggestion from top military leaders, announced Wednesday that a commission to investigate human rights abuses by communist and Muslim insurgents is to be set up in the Philippines.

Mrs. Aquino's announcement, at a meeting of military field commanders, was the latest in a series of recent moves by the government to calm discontent in the armed forces that has led to two small-scale military revolts in the last seven months and a spate of coup rumors.

The president led the commanders in an oath of allegiance to a new democratic constitution overwhelmingly endorsed in a Feb. 2 plebiscite. She had earlier signed a proclamation bringing the constitution into force.

Mrs. Aquino, who is commander in chief of the armed forces, said that the Philippines was on "the brink of war" because communist negotiators had ended a 60-day cease-fire and peace talks with the government on Sunday.

Since then, 30 persons, including 20 civilians, have died in clashes involving communist guerrillas, according to official reports. Five of those killed were children age 13 or under.

"The new armed forces will resume operations against the insurgents," said Mrs. Aquino. "The truth is over. Send this message out to all our troops so that none may be misled to relax their vigilance to their peril and that of the people they are charged to protect."

But she said she had not lost hope in a peaceful solution to insurgency and the government would explore the possibility of

opening negotiations with the insurgents on a regional and provincial level.

One officer said afterward that he interpreted Mrs. Aquino's comments as "a limited 'go signal' for government forces to take action against insurgents."

Defense Minister Rafael M. Ilo said the cease-fire had given soldiers time to train and improve their combat skills. He said commanders had orders to send out patrols, strike back if attacked and take pre-emptive action to prevent guerrillas from massing for assaults against population centers.

The president said the proposal for a commission "to investigate human rights violations on the part of nonmilitary people" had been initiated by Mr. Ilo and the armed forces chief of staff, General Fidel V. Ramos.

Officials said the commission would investigate reported abuses by communist and Muslim insurgents fighting government troops. The military says such abuses have been largely ignored in the past.

U.S. Will Open Center To Fight Pornographers

Los Angeles Times Service

LOS ANGELES — Attorney General Edwin Meese 3d has announced the opening of a Center for Obscenity Prosecution and the creation of a task force of federal attorneys to lead a crackdown by federal and local officials on the pornography industry.

Mr. Meese, in a speech here Tuesday, said the center would be based in Washington and act as a national "resource bank" for prosecuting obscenity and child pornography cases.

Mrs. Aquino, the officials said, wanted to demonstrate to the armed forces that her administration was even-handed in its pursuit of human rights violations.

Shortly after she took office almost a year ago, Mrs. Aquino set up a seven-member presidential commission on human rights. But this body dealt only with alleged abuses by the military against suspected rebels and refused to look into insurgent violations.

Analysts said this was one of the issues which fueled a widespread feeling in the armed forces that the Aquino government was making concessions to the communists at the expense of the military and national security.

Teodoro Locsin Jr., a presidential adviser, said the new rights

commission would have equal powers, status and funding to the existing panel.

Mrs. Aquino emphasized Wednesday that in combating insurgency, government soldiers were "expected to conduct themselves with honor and humanity against the enemy and show the utmost solicitude for the safety of the people."

Some members of the armed forces under former President Ferdinand E. Marcos earned a reputation for ill-discipline and excessive force against suspected communists and their supporters.

Many analysts say that while there has been considerable retraining, reorganization and improvement in the military leadership, the reform process is far from complete.

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Herald Tribune

Published With The New York Times and The Washington Post

Cross-Channel Cousins

Not yet linked by tunnel, Britain and France continue to parade their differences rather than what they have in common. But the similarities are striking: their economic problems, and the risk that the elections that both must hold by mid-1988 will complicate them.

Both countries approach the elections in unusual political circumstances. In France the emergence of the far right, the waning of the Communists, divisions within the conservative coalition and the possibility of an alliance between Socialists and centrists could mean a return to the splintered politics of the Fourth Republic. In Britain the arrival of the Liberal-Social Democrat Alliance as an accepted, if weak, third force in Parliament could mean that the next government is a coalition, something rare in peacetime.

The temptation to court voters with unwise economic action may be strong for both prime ministers. With unemployment on both sides of the Channel at 11 percent, boosting the economy by relaxing budget restraint is an obvious way to attract support. The French government rejects this option, relying on devaluation to do the trick; but this resolve could erode in the coming months, when the final budget before the presidential election is prepared. Margaret Thatcher is known to want a significant tax cut, and budget day comes next month.

The scope for relaxation is small in either country. British inflation is already surging back up toward 5 percent, and pushing imports and low competitiveness are widening the foreign deficit. French prices, no longer restrained by cheaper oil, are coming under pressure as the last meaningful controls disappear and work-

ers in the large public sector show more militancy. Last year's small foreign surplus is shrinking, with the bill for oil and other imports growing and French exporters losing ground abroad.

Both countries need to reshape and invigorate their industries. Rising oil earnings no longer disguise the fact that Britain, as much as France, requires a major investment effort to bring its pattern of output into line with international reality, developing the advanced manufacturing and service industries in which the best hopes of exports now lie. The effort will suffer if political clumsiness at home increases social confrontation and labor market tensions. But it will crumble if untimely relaxations of economic policy revive inflation and further weaken the pound and the franc.

When rich countries have huge unemployment and poor countries have huge debts, there must be scope for expansionary action somewhere. But it cannot be started by former front-runners who are struggling to get back into the race. France and Britain could expand somewhat faster in the wake of recovery in West Germany and Japan, because potential export markets would strengthen and encourage the private capital spending needed if they are to pull themselves up. Sadly, neither Bonn nor Tokyo seems ready to give economic leadership.

Had France and Britain not fallen so far behind, they could take up the baton that West Germany and Japan fear to seize. But today they can only wait for their stronger partners to gain a greater sense of responsibility. An Anglo-French breakthrough would be imprudent.

INTERNATIONAL HERALD TRIBUNE

Needed in Sri Lanka

Sri Lanka used to be called pear-shaped. Tear-shaped would be more appropriate now. A democratic government with an army not fully under control is beset by a separatist movement relying on terrorism. Thousands have died. The other night, for instance, terrorists killed 28 villagers, including 16 women and children, with axes and other silent weapons so as not to alert guards with gunshots. No end is in sight to the conflict whose principals acknowledge the resemblance to Northern Ireland.

The trouble arises from a deep sense of grievance that minority Tamils (18 percent) hold against majority Sinhalese. Official hesitation and ineptness contributed to the Tamil movement's shift in the 1980s from a political to a guerrilla phase, although, so common is ethnic groups' use of terrorism on the international scene, the shift might have come anyway. As the struggle sharpened, the political demands of the terrorists grew. They now ask for a "homeland," virtually a separate state, to include not only the Northern Province, in which they have a large majority, but also the Eastern Province, in which they are a minority. A government that yielded would be defaulting on the first requirement of sovereignty: to maintain the integrity of the nation. Negotiations remain the best hope. Here

tiny Sri Lanka is painfully dependent on giant India. One narrow strait away, in India's state of Tamil Nadu, live 55 million Tamils. Their support of guerrillas among Sri Lanka's 3 million Tamils keeps the military effort alive. The Sri Lankan government counts on India not only to be more energetic about breaking the Tamil terrorist connection — a reasonable request — but also to deliver moderate Tamils to a negotiated solution, which is not so simple. Some part of Sri Lanka's agony can be diminished by Indian policy; some part cannot.

Meanwhile the war goes on. As in such encounters elsewhere, the guerrillas target uniformed members of the armed forces — although, as the news the other day indicated, they also target civilian villagers; the armed forces target people who are not wearing uniforms. Some of these people, Amnesty International reports, have "disappeared" after being detained. The government answers that this number includes terrorists and people in flight, and that the very making of the Amnesty charges encourages terrorism. Even if this is partly so, it is a poor response. Nothing may be harder than for a society pressed democratic government to control troops fighting a dirty war. Nothing is more necessary.

— THE WASHINGTON POST

Four Fig Leaves Gone

When President Reagan held his last news conference, on Nov. 19, he was asked about the Iran arms deal and he gave a four-part defense: The United States had shipped only a token number of "defensive" anti-tank missiles to Iran; the U.S. government had not conditioned arms shipments by third countries like Israel; the weapons were not traded for hostages; they were used, rather, to promote a dialogue with Iranian "moderates."

Those explanations began to unravel minutes after the television lights went out. To clear up any "misunderstanding," the White House issued a statement admitting that "there was a third country involved in our secret project with Iran."

Then came more on the "token amounts of defensive arms and parts" that President Reagan said had occupied only part of one plane. In fact the shipment contained 1,500 TOW anti-tank missiles.

Next the Senate intelligence committee, in a bipartisan report, stripped away the administration's denials that it had been trading for hostages, contrary to its own anti-terror policy, by citing the administration's own documents and testimony.

Now the story has been undidled altogether with the disclosure that Vice President George Bush learned officially from Israel last July that the arms dealings were with Iran's "most radical elements." It was said that Iranian moderates, if any, could not deliver hostages. If he told this to the president, then who were the moderates Mr. Reagan was talking about in November? If Mr. Bush did not tell his boss, why not? His hints that other high officials knew what he had learned only magnifies the suspicion of deceit and internal self-deception.

At his November news conference, Mr. Reagan insisted that he had no need to defend himself "because I don't think a mistake was made." In his State of the Union address he acknowledged that "serious mistakes were made." But what were they and who made them? The president will not say until he finds out what the congressional committees and perhaps the special prosecutor think. With all four fig leaves now gone, it would be more becoming for him finally to confront what he and his aides did, and stop leaving it to others to find the naked truth.

— THE NEW YORK TIMES

Other Comment

Good News From Moscow

Good news from Moscow: With the release of a fairly large number of dissidents, Mikhail Gorbachev is paying off a mortgage of the recent past. After the 20th party congress in 1956, Khrushchev had opened the doors of the camps for hundreds of thousands of political prisoners. The release of 140 dissidents is quite different.

Then, the people freed were survivors from among millions of victims of mass terror. This time they are a sizable part of a group of several hundred individually

known and selectively persecuted people. The treatment of Andrei Sakharov — first Mr. Gorbachev's telephone call, then the invitation to participate in an international forum — amounts to de facto rehabilitation. Mr. Gorbachev's new "openness" reduces motives for dissent. And new ideological nuances should not be overlooked. Unlike Khrushchev, Mr. Gorbachev has explicitly abandoned the claim to the party's infallibility. That does not turn a one-party state into a constitutional state, but it opens the door a crack.

— Süddeutsche Zeitung (Munich).

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OPINION

Austerity in Europe: Joblessness Won't Solve Itself

By Olivier J. Blanchard and Lawrence H. Summers

Cambridge, Massachusetts — In recent weeks, we have seen the West German Bundesbank reduce interest rates by half a percentage point, but only with the gun of a strongly depreciating dollar held to its head. Even now, after five years of disinflation, the Federal Republic and other West European countries stubbornly refuse to adopt an obvious and seemingly attractive course: monetary and fiscal stimulus.

They defend their action, or lack of it, by invoking the "Euroclerosis" diagnosis that high unemployment stems from "structural" problems, such as uncompromising unions, an entrenched welfare state and rigid wage structures. This leads to the conclusion that economic stimulation would bring inflation, not increased demand and employment.

Thus the only policy responses to depression are defeatist measures, like work-sharing, that seek to redistribute the pain of unemployment. Especially in West Germany and Britain, workers are being called to accept wage reductions and a loosening of the

safety net that has been woven over the past three decades. The result has been dismal. From 1980 to 1986, during a time of serious supply shocks (such as oil shortages) and through the partial dismantling of the welfare state, the unemployment rate in Western Europe has risen from 5.8 percent to 11 percent.

The Euroclerosis interpretation of high unemployment is a dangerous half-truth. Structural problems do exacerbate the unemployment problem, but some structural problems are themselves the result of high unemployment. Just as increases in unemployment were followed by structural problems, so reductions in unemployment would be followed by dramatic structural improvements.

For example, high tax rates and overly generous social welfare benefits are often blamed for European unemployment. But each 1 percentage point reduction in unemployment in Europe today would allow a 4 percentage point reduction in tax rates

because of the reduced need for social welfare expenditures and the enlargement of the tax base as output expanded. In Britain and West Germany, more than half of government growth relative to GNP since 1972 can be attributed to abnormally slow GNP growth.

Unemployment is also attributed to excessive wages obtained by aggressive unions. Here, too, unemployment is both cause and consequence. Unions in thriving industries often restrain wage demands for fear of encouraging companies to invest in productivity-enhancing capital or start up new non-union companies. Where industries are doing poorly, new investment is unlikely in any event, so unions have less cause to restrain wage demands. This helps explain why the relative wage rate of American steelworkers has risen so sharply in recent years and why unions have been so aggressive in Europe despite high unemployment.

Moreover, protracted unemployment begets a lifeboat mentality among workers. The interests of the long-term unemployed come to be forgotten as unions serve the interests of the workers who remain employed. By shrinking the number of union insiders, protracted unemployment may induce unions to increase wage demands as they step-seeking to employ all of their initial members.

Proponents of the Euroclerosis theory also suggest that high unemployment results from restrictions on the employer's ability to hire and fire. These restrictions do inhibit some employers, and they are conspicuously absent in the United States, where employment has grown rapidly. They surely must result from a starker reality on the part of those who have jobs. The prospects for liberalizing restrictions on employers would surely be much greater in an environment where those who lost jobs could find new ones than in an environment like the current European one.

There is precedent for the malaise gripping Western Europe. In 1938, America had suffered a decade of depression. The unemployment rate stood at 19.1 percent. With the zeal of the New Deal exhausted, the same type of resigned acceptance we now see in Europe became pervasive. Mayor Fiorelli La Guardia of New York contended that high unemployment had passed from a temporary emergency to a permanent condition.

Three years later, before America entered World War II, the unemployment rate had fallen by 12 percentage points, more than eight million jobs had been created and real GNP had risen by 45 percent. There can be no question about why. The expansionary budget deficits and accommodating monetary policies associated with rearmament stimulated the economy and eliminated slack.

Many viewed the expansion with alarm, believing that 10 years of depression had permanently contracted the economy's capacity to produce. John Maynard Keynes, asked to predict the economy's potential in 1940, did so by extrapolating the trend of growth from 1914 to the beginning of the Depression in 1929, ignoring the ensuing period. While his prediction was seen as heretical at the time, it proved to be too pessimistic.

The lessons of history are durable. Recently, reckless profligacy by the Reagan administration and the equally reckless austerity of the nations of Western Europe have provided an ideal natural experiment for evaluating the effects of demand management policies.

Rising unemployment in Europe and the United States ran largely in parallel from the first oil shock in 1973 until 1982, before diverging sharply. U.S. fiscal policy turned strongly expansionary, with lavish investment incentives and burgeoning budget deficits, while structural budget surpluses ballooned in Europe. The European move toward fiscal contraction in recent years has been almost as large as the American fiscal expansion. At the same time, monetary policy in the United States accommodated the fiscal expansion by turning expansionary in the summer of 1982, while European monetary policy makers reinforced the fiscal contraction by driving real interest rates higher after 1982.

The results are apparent. Where employment in America has risen by 10 million jobs since the trough of the 1982 recession, employment in Western Europe is stagnant. Logic and experience compel the same conclusion. Passive acceptance of high unemployment will lead to further ossification in the European economy. The unemployment problem will not solve itself today any more than it did in the 1930s. Expansionary policies in Europe would promote employment and growth. For once, the easy course is the right one. Policy makers should act now.

Mr. Blanchard is professor of economics at the Massachusetts Institute of Technology. Mr. Summers is professor of economics at Harvard. They contributed this comment to The New York Times.

General Motors Used to Take Care of Flint

By Michael Moore

NEW YORK — There was a saying while I was growing up in Flint, Michigan, that General Motors would take care of us "from womb to tomb." The company had built our grandparents' homes, financed their cars, constructed their schools and paid them a wage that was unrivaled in blue-collar America. The boom years after World War II, plus a strong union, made it possible for our parents to get their piece of the American dream: a house in the suburbs, two cars in the garage, a cottage up north and a job for life in one of Flint's 11 GM factories — the "13th grade" we called it, as the commencement line seemed to blend into the assembly line. There was no reason to doubt that our "baby-boom generation" would receive anything less.

Then something happened. General Motors, like many U.S. companies, discovered it could produce cheaper elsewhere, and moved its plants to the South or to Mexico, where the average GM plant worker makes 69 cents an hour. It also discovered the beauty of robots and computers and automation. Profits soared — and so did unemployment. GM has reported profits of \$11 billion in the last three years — and since 1978 has eliminated 250,000 people from its work force.

What is good for GM is no longer good for Flint. More than half of downtown Flint is now boarded up or torn down. Fifteen thousand families live up each month for federal surplus cheese. Half of Flint's residents reportedly receive government assistance.

It was our parents' hope that their hard work would mean a better life for us. But that part of the American dream has become a nightmare. Contrary to the myth of baby boomers as a privileged class, members of this generation are worse off than their parents. Unlike our parents, most of us cannot afford to buy a house. We do not trade in for a new car every two or three years. We save less but have to spend more. Compared to 1973 levels, according to Representative David Obey of Wisconsin, chairman of the Joint Economic Committee, young families today spend 14 percent less on furniture and 30 percent less on clothes and give 38 percent less in charitable contributions. Their savings rate has dropped by 75 percent.

Baby boomers also lack job security; hard work and the profitability of the company no longer provide any guarantee. The Chevrolet Chevette was once GM's biggest-selling car, yet thousands of Chevette workers lost their jobs in December because GM stopped producing it. Small cars mean smaller profits.

What do baby boomers have to look forward to? Harper's magazine reckons that one of every 15 working Americans will at some point work at McDonald's. The service sector is now our fate, from flipping burgers to babysitting to answering telephones — all low-paying work with no benefits.

A college degree used to be a passport to a high-paying, professional job. No longer. Today it is worth little more than a high school diploma. A friend who taught high school social studies for 15 years was laid off last year; his seniority was too low to survive the cuts. He sells encyclopedias door-to-door and tells me of the other unemployed college graduates he finds sitting at home watching daytime television. They tell him they survive by mowing lawns or selling antiques.

Six years ago, Ronald Reagan promised prosperity, a new "morning in America." But what baby boomers have awakened to is a life filled with less so that the wealthy can have more. While the real median family income has fallen by 6 percent since 1979, the stock exchange keeps breaking records. The Fortune 500, euphoric with this extra cash, has not trickled it down to the working families of the middle class; they have used it to buy each other out in an orgy of mergers.

The government's response to the growing disparity between rich and poor has been to redefine the terms. Full employment, which community three decades to figure this out is just the least bit alarming.

The committees were set up in 1976. A long slide in intelligence capacity slowed, stopped, turned around, within 10 years, beginning under President Carter and continuing under President Reagan, the intelligence budget tripled.

Nor did secrets spill out. As Mr. Gates himself has written, the CIA was created "in part to ensure that intelligence assessments would be prepared by people with no stake in approval of weapons programs, defense budgets or particular policies." In time it commenced covert operations, mostly for "collection" purposes but also, on occasion, to advance particular policies. Enough of these had gone awry that Congress stipulated that the two committees be



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The government's response to the growing disparity between rich and poor has been to redefine the terms. Full employment, which

the Labor Department once defined as all but 2 percent of the population working, has been redefined by the Reagan administration as 7 percent unemployment: eight million people.

The future looks even grimmer. The service sector will go the way of steel, autos and textiles. Computers and satellites make it possible to export office jobs anywhere. American Airlines has its airline tickets sorted and tabulated in Barbados; it has found that cheap labor is ready, willing and subsidized by Mr. Reagan's Caribbean Basin Initiative. And A.C. Nielsen, the ratings company, is one of the biggest U.S. employers in Mexico.

I have often wondered, with so many people unemployed by jobs sent offshore, who will be left to buy the cars, the videocassette recorders, the dishwashers? Does corporate America expect the new rich to consume the goods needed to maintain record profits? Can it hope to sell enough goods abroad?

My father called the other night from Flint and told me he had made the final \$40-a-month payment on his house mortgage. As I sit in my \$40-a-day apartment in San Francisco, I begin to think that the only way to stop today's slide is for us to put to use some of the political consciousness we cut our teeth on in the '60s. We learned then that we could force the government to back down and meet our demands. In some ways, the challenge now is greater because we will go head-to-head with corporate America. "Hell, no, these jobs won't go" doesn't sound half bad.

The writer, former editor of Mother Jones magazine, works with the consumer advocate Ralph Nader. He contributed this comment to Newsday.

May Gates Now Repair Relations Between the CIA and Congress

By Daniel Patrick Moynihan

The writer, a Democrat, is senior U.S. senator from New York.

WASHINGTON — Next Tuesday, Robert M. Gates appears for his confirmation hearing as CIA director. He will surely be confirmed, as surely he ought. But his appearance could accomplish more than that. It could reconstitute a relationship between the intelligence community and Congress that was building beautifully until it came apart this winter. And it could be the beginning of the larger process of reconciliation that we must now get on with.

Let me first argue that the establishment of the House and Senate intelligence committees was the best thing that ever happened to the agency and its workmates, the National Security Agency and the Defense Intelligence Agency. For an activity in the executive branch to flourish, it needs a pair of congressional committees to look after its budget and its interests generally. (That it took something called the intelligence

community three decades to figure this out is just the least bit alarming.) The committees were set up in 1976. A long slide in intelligence capacity slowed, stopped, turned around, within 10 years, beginning under President Carter and continuing under President Reagan, the intelligence budget tripled.

Nor did secrets spill out. As Mr. Gates himself has written, the CIA was created "in part to ensure that intelligence assessments would be prepared by people with no stake in approval of weapons programs, defense budgets or particular policies." In time it commenced covert operations, mostly for "collection" purposes but also, on occasion, to advance particular policies. Enough of these had gone awry that Congress stipulated that the two committees be

apprised in advance of "significant" ones. But these operations remained secret save when, as in the case of Iran, adversaries made them known. I joined the Senate committee in its second year and served an eight-year term, the last four as vice chairman. By this time the practice had evolved of briefing only the chairman (in this case, Barry Goldwater) and the vice chairman about particularly sensitive activities. As time passed, it seemed to me we were getting more briefings than necessary — the career officers seemed more eager to brief — but Mr. Goldwater was patient, and as his second in command I understood my place and listened.

Then in January 1984 the agency, with presidential approval, mined Nicaraguan harbors and did not tell us. This emerged in April of that year. Mr. Goldwater was wild. On April 9 he sent a public letter to William J. Casey, the director of Central Intelligence, complete with an (expensive) deleted in the text as reproduced in The New York Times. Bill, he wrote, "This is an act violating international law. It is an act of war. For the life of me, I don't see how we are going to explain it." Worse, not knowing the facts, Mr. Goldwater had misled the Senate the previous week in a debate on the budget. Hurt as much as outraged, he took off for Asia.

On April 12, Robert C. McFarlane, the president's assistant for national security affairs, told a conference at the Naval Academy that, contrary to Mr. Goldwater's statement, "every important detail" of the secret war in Nicaragua was "shared in full by the proper congressional oversight committees." In other words, Mr. Goldwater was a liar. As vice chairman I did the only thing I could think of. I said I would resign in protest.

On April 25, Mr. Casey sent a handsome, handwritten apology note to Mr. Goldwater, and the next day apologized in person to the full committee. I said I would stay.

Honor satisfied, we asked ourselves the larger question. Arrangements that had seemed to be working well had failed. Why? Was it that the statute requiring that the committees be apprised of "significant" operations did not sufficiently define "sig-

nificant?" Especially regarding a new development in an ongoing operation? Very well, define it.

On June 6, Mr. Casey, with the approval of the president, signed an agreement, which Mr. Goldwater and I signed as well, setting forth "improved oversight procedures." The essence was that any activity requiring presidential approval would be reported in advance to the committee. In short, if you see the president's initials, don't think: report.

Then, a little over a year later, the exact same principals initiated their explicit agreement to inform the committee of presidential authorization.

What say that Mr. Gates, at his confirmation hearing, be asked to reconfirm the "Casey accords"; that he state that he would resign rather than break them, for to do so would be to give a disservice to the president and to the community. (The statute gives the president an out in emergencies, but neither of these episodes was anything such.) Mr. Gates, a career civilian officer from the analytic side, will want to keep the accords. If one thing has evolved, it is that career intelligence officers have learned to work with Congress and want to do so. More than anything else, that is what the presidency needs: a career intelligence service out of politics and very much into analysis.

The New York Times

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Michelin Votes No

PARIS — The bill introduced in Parliament with the object of imposing a duty on all raw rubber from foreign countries is meeting with opposition. One of the most determined opponents is André Michelin, who has rubber trade. "The alleged purpose of the development of plantations in the French colonies. But at the present time there is not one of our colonies in a position to produce even a hundred tons of rubber which could be used in place of the best Para from the Amazon Valley. If this bill becomes law, I shall be obliged to reduce the work done in our French factories and to double the amount done in our foreign establishments. Certain rubber company producers want to have this law voted in order to boost the prices of their shares."

1937: Auto Strike Ends

FLINT, Michigan — America's greatest and most costly automobile strike came to an end with compromise victory for the industrial unionists, 44 days after it started. The peace agreement was signed between the General Motors Corporation and the United Automobile Workers of America [on Feb. 11]. The terms gave labor its first foothold in its first major struggle with the hitherto impregnable automobile industry. Although John L. Lewis, chairman of the Committee for Industrial Organization, did not win exclusive recognition of his union as an agency of collective bargaining, he did gain the vital victory of having the U.A.W. recognized as a collective bargaining agency for those employees belonging to the union. The industrial unionists consent to evacuate the occupied Flint factories immediately.

OPINION

In Europe You Can Hear Another View of Reagan

By William F. Buckley Jr.

GENEVA — There are grounds aplenty for deliberating on the madness of old Europe, and she is always tempting Americans to do so, with the silliness that abounds.

"The only comforting thing about Sweden's population control policies," Malcolm Muggeridge observed a year or two ago, "is that I calculate that by the year 2010 there will be no Swedes left." Call it the Scandinavian Problem, which isn't all that far removed from a kind of pacifist isolation based on the calculation that if Sweden, Norway and Den-

ON THE RIGHT

mark engage in progressive aloofness from NATO, the Soviet Union will somehow forget them, as Switzerland succeeds in being forgotten, when the time comes to take over Europe.

And, of course, not only in Scandinavia, far from it. West Germany has its Greens, almost doubled in strength in the last election. The major opposition party in Britain wants nothing less than unilateral nuclear disarmament, preferably combined with a U.S. guarantee to save England yet again. There are Americans, and they are growing in number, who think America should ration itself to saving Europe only twice per century.

For all these observations, there is an Old World savoir faire, utterly refreshing to the ear. One cosmopolitan woman, American-born, Greek-wed, Swiss-dwelling, was talking about the State of the Union address and the commentary in the *International Herald Tribune* about the scant attention the president had given to the Iranian affair.

"It is absolutely mystifying to us why so much attention was given to the matter in the first place," she said. "But then, of course, in Europe we have a very long history of chiefs of state dealing with other chiefs of state, directly and indirectly. We consider it their job to do this. If overtures do not succeed, our reaction is: They seldom do. But occasionally they do, and it is the business of state leaders to keep trying."

But what about the scandal aspect of Iran, how does that sit in Europe? "There are two aspects to the problem. One of them is that the socialist fraternity despises Reagan and was desperately anxious to find means with which to fuel their dislike; they piggy-

backed on American resentment. Especially they liked the poll that revealed that the majority of the American people thought Ronald Reagan was lying to them. They liked that because it served the purpose of sort of deflowering the Reagan myth, the Eagle Scout who cannot tell a lie. They liked that a lot.

"But," she continued, "substantively it was, for us, a laugh. So arrangements are made to send money from one federal bank account to another in pursuit of a national purpose? No one in the administration even accused of stealing the money? Is that kind of thing going to shock a country? (The reference was to France) "that never bothered to find out the true story of whether Emperor Bokassa had attempted to influence Giscard d'Estaing's policies by giving him diamond necklaces for his wife?"

Well then, what about the hostage question? Here she said the Europeans were puzzled. Not so much that an American president would say one thing and surreptitiously do another to aid an American held hostage ("We do that kind of thing all the time") but that the president should insist that there was no relation between state policy and the release of the hostages. "What particularly stuck in the craw here was Reagan's position that the release of the American reporter Daniloff was unrelated to the release of the Soviet spy Zakharov. Look: Daniloff is released from Moscow, and within 24 hours Zakharov is released from New York."

One reminds her that Mr. Reagan insisted that the two transactions only coincidentally came together; that he had told friends it was all as simple as that he had flatly refused to deal with the Soviet Union concerning Mr. Zakharov, summit meetings or anything else pending the release of Mr. Daniloff.

To which: "Ronald Reagan is trained in the theater and he has to know that what he calls a 'coincidence' he cannot begin to expect others to call such a thing. They view the existential reality, as Le Monde likes to put it: The United States wants Daniloff freed, the Soviet Union wants Zakharov freed — both things come to fruition at the same time. Even though it is technically possible that the two events were coincidentally simultaneous — even as it might actually have been a coincidence that the lover was divorcing the lady at home exactly when the cuckold was scheduled to return — as a political matter it isn't accepted as a coincidence. Ronald Reagan lost on that one."

"But we continue to view him as the strongest friend of Europe since Truman. He has a large reservoir of good will here in the anti-Communist community, which still controls Europe."

Universal Press Syndicate.

I WANT MY PHILIPPINES BACK, FERD! YOU PROMISED!! NOW YOU CAN'T EVEN PULL OFF A SIMPLE COUP, YOU LITTLE BUM! "I WILL RETURN," HE SAYS...



I WILL RETURN. I WILL RETURN IMMEDIATELY TO THE FACTORY. I WILL RETURN.



By BAS in Technocracy (Afters), C&W Syndicate.



Will the CIA stop at nothing to discredit us?

LETTERS TO THE EDITOR

A Cardinal in Jerusalem

George Will's diatribe against Cardinal John O'Connor's difficult and well intentioned mission to Jerusalem ("The Cardinal's Pilgrimage Covers Something Sinister," Jan. 16), is profoundly irritating. To be subjected to such cant is an unexpected misery to one accustomed to reasoned argument in your pages.

From whom was Jerusalem "liberated" (a term used twice in the column)? Its Arab inhabitants, Christian and Moslem, have lived there from time immemorial, pace Joan Peters and her ludicrous argument to the contrary. A case can be made that the Hashemite monarchy annexed the Old City and the West Bank in 1948 against the will of its population, but Israeli military occupation has been no improvement.

As for Mr. Will's old Zionist canard about Christian churches under Jordanian rule not being allowed to improve or buy properties, this is disinformation. If the inhabitants of these territories, subjected to Israeli rule against their

wishes for nearly two decades, were allowed the self-evident right to choose their own government, it would be one formed by the PLO and Yasser Arafat. To ask the United States to recognize Jerusalem as the capital of Israel is to ask it to commit the foreign policy gaffe of the age, from which there is nothing to be gained and everything that America has left in the way of credibility as a peacemaker in the Middle East to lose.

Internationalization of Jerusalem, a policy which the Vatican and much of the world, including the United States, has supported for the past 40 years, is the only long-term solution.

ROBERT B. BETTS,
Director, American Research
Center in Egypt, Cairo.

I found William F. Buckley Jr.'s opinion column "It Would Seem That the Cardinal Was Ambushed" (Jan. 22) most distressing. It only added fuel to the fire of the controversy and ran roughshod over the salient points. Every country has the right to deter-

mine where its capital shall be, and the act of recognition (the establishment of normal diplomatic relations) includes recognition of the capital. Cardinal John O'Connor knew when he accepted the invitation to visit Israel that Jerusalem was its capital. When someone is invited to dinner, it is reasonable to expect him to acknowledge the host's address.

The cardinal's statement at the Holocaust Museum was insensitive and inappropriate. As a Holocaust survivor, I would much have preferred that my dear grandparents, uncles, aunts and cousins, murdered at ages ranging from 7 to 70, be allowed a normal life span rather than become "an enormous gift that Judaism has given to the world."

DAVID FROELICH,
Chairman, Association of Americans
and Canadians in Israel.
Rohovot, Israel.

not have understood Cardinal O'Connor's theology, but Mr. Buckley himself misunderstands. For Christians, the "greatest gift" is not Christ's death on the cross but his resurrection.

S.V. FLETTENBERG,
London.

But What About Lin Jie?

As an American studying in Tianjin at Nankai University, which adjoins Tianjin University, I took interest in your report concerning the expulsion of Agence France-Presse correspondent Lawrence MacDonald for allegedly receiving intelligence from a Chinese student at Tianjin University. ("China Orders Reporter for AFP to Leave," Jan. 27). My one criticism is that the report did not adequately detail the fate of Lin Jie, the student involved. If the student's plight is given international attention, then perhaps the Chinese authorities will treat him less harshly.

(Name withheld),
Tianjin, China.

asked me to give him "the report." The newcomer's trench coat, black gloves and pockmarked face almost made me laugh; he seemed a parody of an evil secret agent. But he insisted. He said that the writer was insane.

The farmer had walked away while I was arguing. When Black Gloves finally gave up and left, I ran back to my dormitory. No sooner had I closed the door to my room than I was called down to the foyer by a voice from the box over my door. I went down and there was Black Gloves, demanding the report.

"Uh, I threw it out," I said. "Didn't you tell me it was written by a madman and was therefore only rubbish?"

"In which trash can did you throw it?" "I don't know, just one of those standard trash cans on campus," I replied.

"Come with me," he said. "We'll search every trash can on campus."

I said I needed to get my coat upstairs. While Black Gloves waited in the foyer, I conferred with a foreign student who had spent years in China.

"You're out of your mind!" he shouted. "That guy is the undercover Security Bureau flunky whose job is to watch us foreign students. Even if you don't get kicked out of the country right now, you may never be allowed back in. You could be jailed in a minute!"

I suddenly felt empathy with the students in the English class I taught who responded with silent gazes when asked for their views on anything less innocuous than food. I suddenly felt that universities in China suffocate rather than stimulate the youthful spirit.

My foreign friend insisted: "You must give the report to him—otherwise he'll think you passed it off to me and I'll be under suspicion, too."

And now it was too late for me to do anything to keep the farmer out of trouble. I gave up the report.

The story of Black Gloves is an example of how the Chinese government controls its citizens. The state also allocates housing, jobs, schooling, even permission to bear children, in ways calculated to enforce ideological conformity. But the Chinese spirit still manages to sparkle and flourish wherever it can.

This indomitability was again illustrated by the recent protests. Now it is again being repressed, subtly but skillfully. We can list the famous names stricken from the party roster, but we will never know how many books were not written, songs not composed, experiments not undertaken and pictures not painted as a result of the renewed atmosphere of caution and fear that accompanies this latest turn of the screw.

The writer, a student in Harvard's East Asian studies department, contributed this comment to *The Washington Post*.

General News

Marseille Struggles to Find a New Leader

By Edward Cody

Washington Post Staff Writer

MARSEILLE — Deprived of a legendary leader, Marseille has become a city in search of itself, a hoisterous Mediterranean family suddenly left with no one to head the clan.

Gaston Defferre imposed himself on Marseille at the end of World War II, emerging from the anti-Nazi underground submachine gun in hand. He ran the city as a Socialist mayor for 33 years, with an iron fist and a wily political machine. That ended in May 1986, when he hit his head in a late-night fall and died at the age of 75.

Because of the way he personally dominated Marseille, Mr. Defferre's death left an unusual political vacuum. Since his burial, a cloud of uncertainty has settled on the city — Europe's second largest port after Rotterdam, France's second-largest city after Paris and one of the most colorful and crime-ridden spots on the Mediterranean. "All of a sudden, a giant has disappeared," said Philippe Santarini, an assistant mayor and protégé of Mr. Defferre.

Claude Bertrand, a top aide to Mr. Defferre's unsuccessful opponent in the last mayoral election in 1983, said the city has suffered from "emotional instability" since the white-haired boss of Marseille passed from the scene.

"The people of Marseille are a little off-balance without the man who had been a sort of brand name for them," he added.

Jean-Claude Gaudin, the centrist politician for whom Mr. Bertrand works, said he hopes the people of Marseille will be ready to change to his brand of politics by the next election in 1989.

Local politicians knew Mr. Gaudin was running for mayor when he appeared in a recent demonstration in central Marseille wearing the kind of broad-rimmed fedora that Mr. Defferre had made his trademark.

"He put on the hat before putting on the coat," cracked Ronald Perdomo of the far-rightist National Front, which has its own ambitions to take over city hall.

Immediately after Mr. Defferre's death, his entourage installed his physician and close political ally,

Robert Vigouroux, as mayor. Mr. Vigouroux, who had little political experience or following of his own, was chosen largely as a compromise to avoid further battles in the badly split local Socialist Party.

Although Mr. Vigouroux has been careful to offend no one, the people of Marseille are still waiting for their next leader to emerge, local analysts said. Politicians in Marseille city — famous for frauds, gang wars and racial tension as well as fish soup — concluded long ago that the next mayor would have to have a strong dose of Mr. Defferre's authority if he is to govern effectively.

"For the people of Marseille, a politician is somebody special," said Hyacinthe Santoni, a local Gaullist leader and city council member, adding: "They don't see things the way somebody from Paris would. For somebody from Marseille, a politician has to have something extraordinary to offer, something other people don't have."

Mr. Gaudin, a prominent National Assembly member from the centrist Republican Party, has let it

be known he thinks he could be the man. Mr. Bertrand, his aide, said Mr. Defferre's death had opened a "space" that Mr. Gaudin hopes to fill by drawing both Socialist and rightist voters toward the center.

Mr. Gaudin, although Mr. Defferre's rival in 1983, was his deputy for urban affairs until 1977. That was when a national Socialist-Communist alliance forced Mr. Defferre to accept Communist partners in city hall.

Later, Mr. Defferre's authority in his own party was challenged by his former heir-apparent, Michel Pezet. It was after a long and stormy political meeting over control of the Socialist Party apparatus in Marseille that Mr. Defferre fell and sustained the fatal injury in his apartment overlooking the Old Port.

At the same time, Mr. Defferre's Marseille has changed. Always raucous and notorious for its former role as a center of international heroin trade, it has become known, in the words of a recent study commissioned by city hall, as "a sick, unhealthy city, a city in crisis, a city in decline, a city of risks."

Laundry still hangs in bright colors from the windows, and residents still gather at sundown to drink pastis in cafes around the port. But port activity, around which the city economy has long revolved, has dropped, and other industry has drifted away. Unemployment has risen to 14 percent, 4 percent above the national average.

Many residents have blamed the decline on Arab immigrants from Algeria. City officials have estimated that two thirds of Marseille's one million inhabitants came from North Africa.

But the immigrants' numbers have generated resentment and racial incidents that have become a major part of city hall concerns. Partly as a result, the National Front, with its slogan "France for Frenchmen," has progressed from 5 percent of the electorate in 1983 to 24 percent in legislative elections last year.

Anglicans Warned of a Split

The Associated Press

LONDON — The bishop of London, Graham Leonard, said he is prepared to lead a breakaway from the Church of England if women are allowed to become priests.

Bishop Leonard, 65, the third-ranking prelate in the church, called Tuesday on opponents of women clergy to make an immediate start on planning for a historic split.

In an open statement to bishops, clergy, deacons and lay men and women, Bishop Leonard said that once ordination of women has begun, "those who could not remain in communion with the See of Canterbury would need to find other

ways of continuing their existence within the universal church and would be entitled to explore such ways."

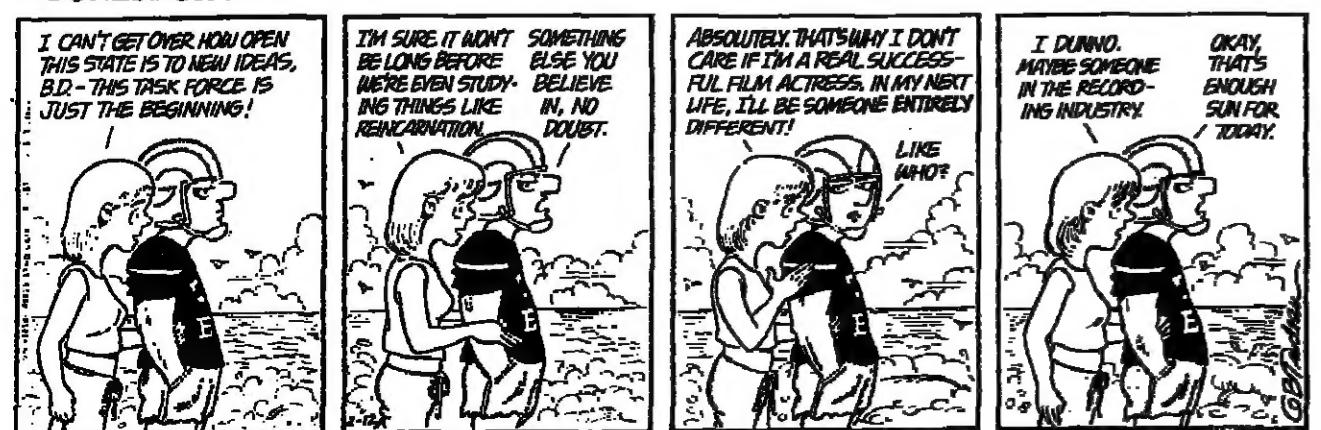
The church has been discussing for more than 20 years whether to open the priesthood to women. A decision is expected in the 1990s from the church's general synod of 574 bishops, clergy and laity. Bishop Leonard is the leading opponent.

A minority of the 44 diocesan bishops oppose women priests. But Bishop Leonard asserted that about 20 percent of the 10,700 clergy support him. About 18,000 church members have registered their opposition to the ordination of women, he added.



Bishop Graham Leonard

DOONESBURY



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SDI: Skepticism Rises Over U.S. Ability to Deploy Missile-Defense System in Next Decade

(Continued from Page 1)

sensor technologies have officially been eliminated.

In presenting the options for early deployment to Mr. Reagan, Defense Department officials have described promising technologies but not a "system architecture" that would describe the overall structure, feasibility and cost of an early deployment, according to officials of the Strategic Defense Initiative Organization.

"We don't have an early-deployment architecture defined yet," said Frank Stirling, an aide to the SDI director, Lieutenant General James A. Abrahamson, at a recent conference in Colorado. Congressional critics say such a blueprint is critical if an informed decision is to be made.

Advocates of early deployment find themselves in a quandary over how to describe the system. On the one hand, to sell the idea, they point out that the technology draws heavily on current, proven rocket systems. But to avoid conflict with the ABM treaty, they must portray the technology as new and exotic in order to proceed with testing under the broad interpretation of the treaty.

The treaty allows the testing of technologies undiscovered in 1972, based on "other physical principles." One senior military official said recently, "Either it's new or it's not new. Rockets are not new. There is going to have to be some very fancy legal footwork" if tests are to be allowed.

The National Test Bed, a \$100 million computer-simulation project that SDI officials have long contended would provide the "truth test" of whether a deploy-



President Ronald Reagan salutes during an address to American Legion members in Washington in which he defended his arms buildup as expensive but necessary.

ment would be affordable and effective — and hence lead to a decision on whether to proceed — will not be ready until late 1989 or 1990. Contractors have not broken ground for the headquarters of the test bed project. Critics question how a decision could be made until the test bed is in operation.

Some advocates of early deployment admit that there are many unresolved engineering issues. But they contend that without a near-term goal, it may be impossible to get Congress to provide enough money to answer the questions.

As conceived by officials of the program and outside, the first phase of a missile defense system would probably consist of three different types of interceptor rockets, each designed to knock out enemy missiles at different stages of their flight toward the continental United States.

While differing in some key respects, each of the three share some basic features: They would all be small, fast and nonnuclear, meaning that they would destroy incoming missiles merely by colliding with them at very high speed.

The first line of defense for the early-deployment system would consist of small rockets, mounted on hundreds of orbiting "garage" satellites, that would attempt to knock out enemy missiles within minutes of launching, when their booster rockets provide a large, flaming target.

The second line of defense would involve a set of ground-based missiles, launched from the United States, that would seek out the independently targeted warheads released from the missiles. That job is

far more difficult, however, because the warheads would be lost in a cloud of "decoys" also released from the enemy missiles.

The third layer of interceptor rockets, also launched from the ground, would attack surviving warheads as they re-entered the atmosphere, seconds from explosion on earth.

By all accounts, the space-based rockets, called kinetic kill vehicles, would be the most difficult element, technically, of the interceptor system. Several hundred "garages" would be circling the earth at any given time, but only those above Soviet missile fields or submarines — about 10 percent of the fleet by some estimates — would be effective at the time of attack. After an initial warning from sensor satellites, the space-based rockets would home in on missile boosters as they left their silos.

In a report published in December advocating an early deployment, a five-member panel from the George C. Marshall Institute, a conservative research organization, said that such space-based weapons were "not a quantum leap beyond existing defense technologies, but an evolutionary development out of relatively mature technologies of air defense."

Along with other proponents of early deployment, the Marshall group pointed to the success of the Delta 180 experiment last September, in which a modified Delta rocket equipped with heat-sensing devices and special cameras homed in on and destroyed another Delta.

Critics agree that the test showed it was possible to find the target missile amid the hot exhaust gases

that surround its plume. But they point out that before any space-based rockets could be deployed, they would have to be drastically reduced, to about 250 pounds (113 kilograms) each, and that the SDI organization has yet to even issue a contract to address the engineering problems.

The trade magazine Aviation Week and Space Technology quoted an unnamed official of the program this week as saying that developing a 500-pound interceptor rocket, twice as large as the one required, would be "a piece of cake."

There is evidence, however, that Pentagon officials may be curbing their requirements for the space-based rocket in order to incorporate it in an early-deployment system. Originally, the interceptor rockets were expected to be able to defend the "space garages" at which they are housed against attack, and to aid in destroying warheads once they are released from enemy missiles.

Recent briefings to congressional staff members, however, suggest that the long-wave infrared sensor, one of three used to pick out targets, may be absent from an initial deployment because the technology would not be ready.

"The bottom line," said one congressional staff expert, "is that the rockets may not have the capability to defend themselves against attack" by missiles or space mines, the expected countermeasures.

Experts said similar technology problems might affect the second layer of defense, rockets launched from the ground that would seek and destroy warheads as they hurtle through space during the relatively long midcourse of attack.

The midcourse weaponry is called the Exoatmospheric Reentry Vehicle Interception System, or ERIS. It is an outgrowth of the 1984 Homing Overlay Experiment, in which a rocket launched from the Kwajalein test range in the South Pacific destroyed a dummy nuclear warhead fired from Vandenberg Air Force Base, about 3,000 miles (4,848 kilometers) away in California.

The maneuverable stage of the rocket used in the experiment, containing the sensors and umbrella-like "kill device" that hits a warhead, weighed more than 2,000 pounds. But any ERIS kill vehicle inexpensive enough to deploy in large numbers "has to be in the area of 100 pounds," said James Kates, the manager of the program at the Army Strategic Defense Command office in Huntsville, Ala.

"The goal is not really one of size, but one of cost," said Mr. Kates. "The idea is to make the cost of killing a re-entry vehicle about one or two million dollars."

Nor would anyone say how many ERIS missiles would be required, but the system would be responsible for protecting the entire country, officials say, not just the missile sites or specific cities.

Even some advocates of early deployment question whether the ERIS system would be able to identify warheads. "It is possible there will be very little discrimination ability in the ERIS system," said John Gardner, who left a post as the director of the SDI systems office to take a job at McDonnell Douglas in St. Louis.

"Even so, we think it is possible to do the job," he said. But critics say that because many missiles would be wasted on decoys, the cost of the system would quickly become prohibitive.

The current ERIS technology evaluation is not scheduled for completion until 1990 or 1991.

At about the same time McDonnell Douglas is to complete testing on the third layer, the High Endoatmospheric Defense Interceptor, or HEDI, that would be the last line of defense against an oncoming nuclear attack.

Unlike the ERIS project, the effort to develop a missile capable of intercepting warheads as they re-enter the atmosphere is not rooted in past experiments. "We are still at the ground-test stage," said Alan Sherer, the HEDI program manager for the army, "so the technology is not yet proven."

Eliminating decoys is not a major problem for the HEDI system; as the warheads re-enter the atmosphere most of the lightweight decoys would probably be filtered out or burned up. But the missile faces another challenge: The heat generated as the interceptor rocket rushes through the atmosphere can interfere with its own homing device, an infrared sensor located in the nose of the HEDI rocket.

Should the technology questions be solved, there is considerable question over whether the nation has the launching capacity to put the system into place. Conservative estimates indicate that at least 6 million to 8 million pounds of gear — including space "garages," sensors and the battle-management stations that would coordinate the defense — would have to go into orbit. Some say the figure is twice that.

Getting 8 million pounds into orbit would require, excluding maintenance flights, about 125 space shuttle launches, five times the number launched before the Challenger disaster last year.

In any event, most experts say they doubt the Marshall Institute's conclusion that ERIS deployment could begin in 1992, and that initial defense operations could begin by the middle of the decade.

CAREER: McFarlane 'Adrift'

(Continued from Page 1)

ed, but apparently felt pressured by the criticism. Last week, David L. Boren, Democrat of Oklahoma, the chairman of the Senate Select Committee on Intelligence, called some of Mr. McFarlane's testimony "strange."

Mr. McFarlane's testimony conflicted with that of Mr. Regan over the question of when the president first approved the shipment of weapons to Iran. Mr. McFarlane testified that the president had approved the initial shipment of weapons through Israel, while Mr. Regan testified that he had not.

Others involved in the Iran initiative, including Mr. McFarlane's successor, Vice Admiral John M. Poindexter, and his key aide, Lieutenant Colonel Oliver L. North, had refused to testify, invoking their protections against self-incrimination under the Fifth Amendment of the U.S. Constitution. Friends of Mr. McFarlane said this increased the pressure on him.

Leonard Garment, Mr. McFarlane's attorney, said he felt a sense of duty to testify, and did so truthfully, but found himself "surrounded by so much hostility and such intense political opportunism."

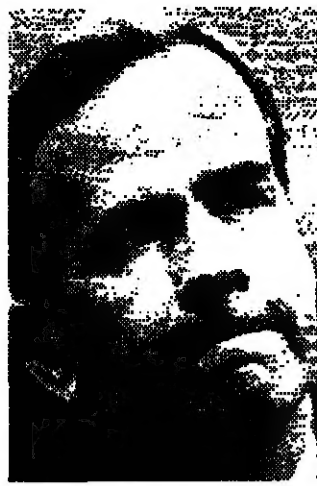
Mr. Garment said it had been "very difficult" for Mr. McFarlane that "so many people" were "prepared to take advantage of anything for purposes of making a political point."

Mr. McFarlane was taken to Bethesda Naval Medical Center on Monday, just hours before he was scheduled to be interviewed again by the special review board chaired by former Senator John G. Tower, Republican of Texas. The board is investigating procedures of the National Security Council in the Iran-contra affair.

Sources said the panel had scheduled a long session with Mr. McFarlane, in which he was to go over details provided by other officials and the panel's recommendations. The sources said the session was not expected to be confrontational.

However, an administration official who has known Mr. McFarlane since the early days of the Reagan presidency pointed out that Mr. Tower and another member of the panel, Brent Scowcroft, the former national security adviser, had been mentors to Mr. McFarlane. This official said that Mr. McFarlane may have felt anxiety about another long review of the Iran policy mistakes in front of two men for whom he had high esteem.

Others said that Mr. McFarlane's troubles ran deeper. They recalled that he had worked for Henry A. Kissinger when Mr. Kis-



Robert C. McFarlane

singer ran the NSC and often fashioned himself in Mr. Kissinger's mold as a strategic thinker, even though critics said he was not of the same depth.

Mr. McFarlane was said to be concerned about finding a way to continue influencing and making policy, perhaps in a future administration.

But the Iran-contra affair threatened to deny him such an opportunity, perhaps forever. "He worried," said one friend, "about whether he would ever be able to be confirmed again."

Mr. McFarlane often puzzled those who worked with him. He offered a quiet, self-effacing exterior, but to intimates he could reveal sharp emotional swings. He often lectured reporters about nuances of policy with complex sentences sprinkled with Latin phrases, but he also regaled them with imitations of Mr. Kissinger and former President Richard M. Nixon.

As national security adviser, Mr. McFarlane struggled to write a consensus on such issues as arms control out of Mr. Reagan's feuding Cabinet members. He was not always successful.

After he resigned, he said that Secretary of State George P. Shultz and Secretary of Defense Caspar W. Weinberger had such "fundamentally different" views that it led to "paralysis" in decision-making. Mr. McFarlane also said last spring that Mr. Regan's tenure as chief of staff had been marked by "growing disorder" in the White House. He made no secret of his disdain for Mr. Regan.

Mr. McFarlane, who remained a consultant to the NSC through last year and retained an NSC computer and secure phone in his house, often impressed others as unshakable.

David Kinche, the former director-general of the Israeli Foreign Ministry, who dealt with Mr. McFarlane in the Iran arms sales, said of him Tuesday: "Some men are made of steel. But steel doesn't bend, it breaks."

Pinochet Says Ex-Agent Is 'A Deserter'

By Malcolm Coard

Washington Post Service

SANTIAGO — President Augusto Pinochet has described as "a deserter" the former secret police officer whose testimony last week in U.S. District Court in Washington implicated the Chilean leader in a cover-up.

The former agent, Major Armando Fernandez, testified to being an accessory to murder in the 1976 slayings in Washington of Orlando Letelier, an exiled Chilean diplomat, and his American assistant, Ronni Moffitt.

Major Fernandez said General Pinochet had ordered a judicial cover-up to prevent U.S. extradition of suspects in the case.

General Pinochet, in his first public comment on Major Fernandez's flight to the United States, said Tuesday that "information I have indicates that this gentleman went thinking he was on the loose, when he was still in the army."

"As far as I'm concerned, he's a deserter," General Pinochet added.

His comments appeared to confirm that the Chilean Army plans to cashier Major Fernandez for leaving the country without permission and without awaiting a response to his resignation request, submitted three weeks ago.

Observers have been expecting such a response as an attempt, in one diplomat's words, "to blacken Fernandez's name to contain the effects within the armed forces of his allegations."

Among human rights organizations, meanwhile, last week's revelations by Major Fernandez have rekindled hopes of getting new information on other unresolved political killings of Chileans.

Carmen Hertz, a human rights lawyer and widow of a radio station director in the northern town of Calama, said, "We believe Major Fernandez 'took part in the firing squad execution of my husband and 25 other political detainees in October 1973.'"

Mrs. Hertz said Monday that she would request the U.S. court to allow Major Fernandez to be questioned on the Calama executions.

The deaths were among 72 ordered in the Atacama Desert region during a visit by a military delegation from Santiago led by General Sergio Arellano Stark.

General Arellano was unavailable for comment this week, but in his previous statements on the case he has always said the deaths in the north were ordered without his knowledge.

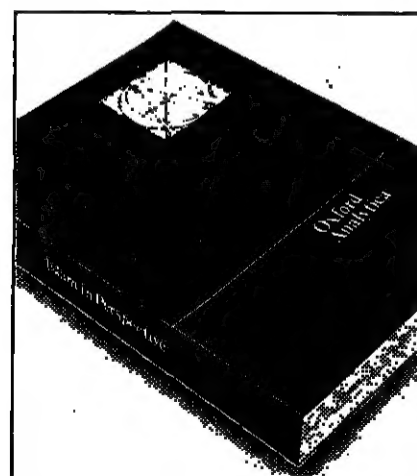
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SCIENCE

Freud's Fantasy On the Origin Of Neuroses

By Daniel Goleman

NEW YORK — The recent discovery of a widely speculative manuscript by Sigmund Freud, which had long been thought lost, promises to touch off a new round of debate about the influences that spawned psychoanalytic thought.

In the 1915 manuscript, titled "A Phylogenetic Fantasy," Freud proposes that anxiety, paranoia and other mental disorders each embody modes of behavior that were once adaptive for the human species in the stages of evolution before and during the Ice Age.

Although Freud evidently came to view some of the ideas in it as theoretical dead ends, the manuscript is certain to come under meticulous scrutiny by scholars seeking new clues into the development of his thinking. Because the ideas are so far-fetched, some allies of psychoanalysis fear Freud's critics may use the paper to dismiss the entire body of his work.

The manuscript, which will be issued in English translation later this spring by Harvard University Press, has already proved useful to scholars tracing Freud's thinking. Despite the fact that Freud evidently discarded it, ideas articulated in it emerge in his and pieces in later writings. The document also points to the influence on Freud of the biological thinking of his time, especially the now discredited theories of the naturalist Jean-Baptiste de Lamarck, who wrote in the 18th and early 19th centuries.

Freud wrote the paper during a period of considerable stress in which he superstitiously feared that his own death was impending and in which some of his disciples were leaving the fold and proposing rival theories. One of those disciples, Carl Jung, would lean heavily on evolutionary ideas similar to those used by Freud in this recently found document.

In the manuscript, according to many scholars, Freud appeared to turn to a literary mechanism he would use often in the explication of his ideas: He put forward a story that might or might not be grounded in reality but whose mythological content revealed what he saw as basic human conflicts.

"The Phylogenetic Fantasy" — a phrase Freud used in referring to his manuscript in a letter to an associate, and which has been used for the new publication — is in two parts. The first summarizes in a staccato style his emerging explanation of the origins of the neuroses and other mental problems.

The second half describes how these mental problems might be remnants of humanity's evolutionary travails. It elaborates on a theory of civilization Freud had first put forth two years earlier in "Totem and Taboo," a central drama playing on a familiar Freudian theme, the rivalry of father and son. He depicts a primitive horde of Ice Age people, headed by a tyrannical father. The father in this archetypal drama drives the sons into exile and they return to kill him in what can be seen as a variation on the Oedipal struggle.

The guilt that ensues from that murder, Freud proposed in "Totem and Taboo," has been passed on in human heredity. In the recently found manuscript, Freud traces all human psychopathology to this drama. He proposes that each element of this primal drama — parental tyranny, exile, murder, elation after the death and depression — has found its way into the modern psyche as one mental disorder or another.

The manuscript was created at a time when Freud already had a

complex theory of personality but it appears to be part of his effort to bring that theory more nearly into line with the evolutionary ideas that were the passion of the day, particularly the ideas of Charles Darwin and Lamarck.

"I'm sure Freud would be horrified to find this published," said Arnold Modell, a psychoanalyst at Harvard Medical School. "But for Freud scholars it is quite a significant find."

The manuscript is one of 12 papers that Freud wrote in 1914 and 1915 in which he set forth the main theoretical underpinnings of psychoanalysis, a part of his work Freud called the "metapsychology." His intention was to formulate an all-embracing, grand theory of the psyche.

Freud chose to publish five of those papers and it had long been assumed that he destroyed the other seven. The best known of the published papers is "Mourning and Melancholia."

Freud wrote to many colleagues while he was working on the metapsychology, reporting on the progress of what he said would be the definitive summary of his theory.

Then, in a puzzling reversal, in a 1919 letter to Lou Andreas-Salomé, a close disciple, Freud denied that he had ever written the missing papers, including the newly discovered "Fantasy." The discovery of the missing manuscript deepens the hopes of some scholars that other lost Freud papers may yet turn up.

The manuscript was among documents belonging to Freud's daughter Anna, who died in 1983. The documents were found in a trunk containing the papers of Sandor Ferenczi, Freud had sent him a copy for comment.

Only a handful of American psychoanalysts have, as yet, seen the essay. The manuscript was published in German last year.

According to letters he sent at the time to several colleagues, Freud wrote the 12 metapsychological papers in a feverish burst of productivity over six months or so, when the disruptions of World War I had reduced his patients to two or three a day.

In the earliest stages, as Freud tells in the fantasy story, humans lived in small bands in an Eden-like paradise where their survival needs were easily met. But with the onset of the Ice Age, people become highly anxious. The same anxiety, Freud proposed, is seen in infants who are fearful of strangers and anything new, and in adults as "anxiety hysteria," a neurosis that might now be called an "anxiety disorder."

As the Ice Age intensified and food shortages worsened, Freud wrote, the human hordes had to limit reproduction; they turned, he said without elaborating, to "perverse satisfactions" instead of genital sex. This, Freud proposed, is the basis for the neurosis he called "conversion hysteria," which today would be called simply hysteria. In that disorder, according to Freud, a sexual impulse is inhibited and shows up in disguised form as, for instance, an imaginary paralysis.

As the Ice Age continued, humans gathered in small groups, each dominated by a strong, brutal father figure. The father figure used his intelligence and the newly discovered power of language to assert his invulnerability and exclusive right to the women in the group. This phase of mankind has left the legacy, Freud asserted, of obsessional neurosis, a psychic legacy for mankind in which some people are obsessed with the need to follow rules and are the captives of detail.

Similar scenes, particularly notions in which Freud depicted the



From the left, Sigmund Freud, Charles Darwin, Jean-Baptiste Lamarck, Wilhelm Fliess.

castration of sons by the tyrannical father, suggested to him the evolutionary underpinnings of schizophrenia, mania and depression.

It was his view that each of these responses were all in some way reasonable adaptations to prehistoric reality. For example, Freud saw anxiety as an appropriate response to the hardships of the Ice Age and paranoia as a reasonable response of the sons to the tyrannical, castrating father. In Freud's view, these responses, acquired by one generation, were then passed on to successive ones.

Several scholars note that the "Fantasy" shows the strong influence on Freud of the thought of Lamarck, who proposed that characteristics acquired by an organism during its lifetime could be passed on to successive generations — a point of view thoroughly discredited by modern genetics.

It was not unreasonable for Freud to take Lamarck as seriously as he did, according to Stephen Jay Gould, an evolutionary biologist at Harvard University, and author of "Ontogeny and Phylogeny," in which he discusses Freud's evolutionary beliefs.

"When he learned his biology in the 1880s, Lamarck and recapitulation theory were prominent," Dr. Gould said. "But at the end of his life, when biology had thoroughly rejected Lamarck and recapitulation, Freud still clung to it. He had woven that view of evolution so thoroughly into his own thinking, that he needed it for the logical consistency of his own theories."

The lost works may have found their way in disguised form into later publications by Freud. David Barondes, a Chicago psychologist, proposes for instance that "Beyond the Pleasure Principle" and "The Ego and the Id" are repositories of ideas from the lost papers.

Some passages that Freud inserted after 1915 into later editions of earlier works show evidence of the ideas developed in the "Fantasy." In 1919, for instance, Freud added to "The Interpretation of Dreams," first published in 1900, a passage saying that "an individual's development is in fact an abbreviated recapitulation" of the development of the whole human race.

IN BRIEF

Giant Ape Bones Found in Vietnam

TUCSON, Arizona (LAT) — The first western anthropologists to visit North Vietnam since the war have confirmed Vietnamese reports that prehistoric humans may have lived in Southeast Asia side by side with a massive primate known as Gigantopithecus.

John W. Olsen and Russell L. Ciochon, both of the University of Arizona, also confirmed that Vietnamese archaeologists have located new fossil deposits that may contain the first skull from the extinct ape. So far, identification of Gigantopithecus has been based upon the discovery in India and China of more than 1,000 teeth and three jawbones. Scientists say the docile, plant-eating ape stood nine feet (2.7 meters) tall and weighed more than 600 pounds (about 272 kilograms).

The Arizona researchers said in a recent interview that they plan to return to Vietnam in December to help excavate the sites.

Survey Shows Support for Chemistry

CAMBRIDGE, Massachusetts (NYT) — A survey conducted for the American Chemical Society says that most Americans lack "the slightest idea" of what chemistry is, but regard it as important.

Despite the evident ignorance of most of the 1,448 respondents, 81.7 percent of them stated that they supported chemistry and chemists, according to pollsters for Cambridge Reports Inc. of Cambridge. People were less enthusiastic about chemical companies and manufacturers.

Leukemia Treatment Is 'Encouraging'

BOSTON (UPI) — Researchers have produced promising results treating a type of adult leukemia with an experimental therapy that involves transplanting patients' own bone marrow after it has been treated with tailor-made antibodies.

"It's encouraging," said Dr. Edward D. Ball of the Dartmouth Medical School in Hanover, New Hampshire. "Prolonged disease-free survival is being achieved in patients who historically would have relapsed."

Magnetometry Leads to Lost Tomb

BERKELEY, California (UPI) — Magnetometry, the science of measuring the intensity of the earth's magnetic field, led archaeologists to what they believe is the long-lost tomb of the sons of the Egyptian king Ramses II, Keni R. Weeks, a leading Egyptologist and associate professor at the University of California at Berkeley, recently reported.

He said he unearthed the debris-filled entrance of the 3,300-year-old tomb in January below a quarter-century-old sewer line in Egypt's Valley of the Kings. He used a combination of sonar, radar and magnetometry to find the right entrance, Mr. Weeks said in a report issued by the University of California.

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Even Large Valium Overdoses Are Unlikely to Cause Death

By Harold M. Schmeck

THE tranquilizer diazepam, also known under the trade name Valium, is commonly used in suicide attempts but seldom causes death, experts say.

"In fact, it turns out to be the best thing for a would-be suicide to take," Dr. Philip Muskin of Columbia Presbyterian Medical Center said Tuesday, because diazepam alone is unlikely to cause death, leaving the would-be suicide with another chance at life.

Robert C. McFarlane, the former White House national security adviser, was hospitalized Monday for an overdose of the drug.

Some people have taken extremely large quantities of diazepam and have evidently suffered no major effects except sleeping for 48 hours. Specialists are often reluctant to specify what they mean by extremely large doses because they do not want to provide inadvertent advice to a would-be suicide.

McFarlane was reported to have taken more than 20 tablets. Experts said individuals had survived many times that amount. The drug is commonly taken in 5- or 10-milligram tablets. The risks of the drug are substantially greater, however, when large quantities are taken in combination with alcohol or other drugs.

Dr. Herman van Praag, chairman of the department of psychiatry at Albert Einstein College of Medicine, cautioned that it was extremely difficult to assess the motive of anyone who took a drug overdose. On the other hand, he said drug overdoses were the most common means in attempted suicides.

Diazepam is one of a class of medicinal compounds, the benzodiazepines, that are widely used against anxiety and as sedatives and muscle relaxers. McFarlane was reportedly taking it for back pain, an accepted use of the drug.

Until 1981, Valium had for many years been the single most widely prescribed drug in the United States and probably in the world. In recent years it has lost that preeminence, although it is still widely used.

Dr. Bruce H. Medd, an assistant vice president of Hoffmann-La Roche in Nutley, New Jersey, manufacturer of Valium, estimated that on any given day three million Americans might take diazepam and that eight million or nine million might take it over a year.

At one time diazepam was considered virtually free of risk and therefore was used "almost like candy" said Dr. Sidney Cohen of the University of California at Los Angeles, who added that people who took the drug for medical purposes

could function well while using it. Today, however, specialists say it can be addictive when taken in excessive amounts over a long time.

Diazepam is extremely soluble in fat and, consequently, is taken up rapidly by the brain. It is estimated that the drug gets to its appropriate receptors in brain cells in 60 seconds.

A drawback to the drug is that it also lingers for a relatively long time in the body. It has been estimated that it takes the body as long as 50 hours to dispose of half of the drug.

The most common adverse effects of diazepam are lethargy, occasionally blurred vision or forgetfulness. Sometimes a patient who is under treatment for anxiety will appear to go into a state of depression. Specialists say that anxiety and depression often went together and that the depression in such cases was not likely to be a direct result of the drug but a manifestation of the patient's underlying condition.

The latest edition of the American Medical Association's Drug Evaluations text said benzodiazepines were usually the drugs of choice when anti-anxiety or sedative action was needed. The drugs are also used in some cases for alcohol withdrawal, seizures and localized muscle spasms.

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THURSDAY, FEBRUARY 12, 1987

Herald Tribune BUSINESS/FINANCE



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WALL STREET WATCH

Crackdown on Smoking Burns Tobacco Stocks

By VARTIN G. VARTAN
New York Times Service

NEW YORK — Tobacco stocks, the market's best-performing group last year, ran into a slight selling squall Tuesday. "Some people were cashing in their chips after big gains enjoyed by the tobacco," said Emanuel Goldman of Montgomery Securities in San Francisco. Other forces also helped depress shares of the Big Three U.S. cigarette companies, according to industry analysts. These included continuing worries about product-liability litigation, concern over a possible large increase in cigarette excise taxes and a continuing decline in unit sales.

And in the latest of a series of restrictive moves, the New York Public Health Council adopted regulations Friday that would prohibit smoking in all of May 7 in most public indoor areas in the state and restrict smoking on the job and in most restaurants. That action came as new federal rules went into effect restricting smoking in government buildings nationwide. As one analyst said, "These anti-smoking developments certainly are not a positive for the tobacco stocks."

Philip Morris dropped \$1.25 Tuesday, to \$84.675, while RJR Nabisco declined \$1.675, to \$58.50. American Brands fell \$1.675, to \$49.50.

Last year, the tobacco group consisting of these issues advanced 56.1 percent, according to Standard & Poor's. The gains reflected a continued rise in earnings and impressive profit margins by the widely diversified companies. Lately, however, money managers have placed less emphasis on consumer nondurables, including tobacco, soaps and similar products, while enlarging holdings of technology and other cyclical sectors.

As a result, investment opinion remains divided on the outlook for tobacco issues. Mr. Goldman is bullish on the group. "We have buys on all three stocks," he said. "You have an unusual confluence of three factors working in their favor in 1987 and 1988. Prices are moving up, while production costs decline, so you get built-in margin expansion."

SECONDLY, "These companies produce excess cash flow, which means they are in a position to lower interest expense as they pay down debt," he said. "Finally, since they pay high corporate tax rates, the companies will benefit from lower rates stemming from tax reform."

Mr. Goldman is awaiting a decision on an important case in Boston before the U.S. 1st Circuit Court of Appeals on the sufficiency of health-warning labels. "It's a good risk-reward situation," he said. "If the companies lose, the stocks drop 10 percent; if they win, the stocks will make a large move up."

At Merrill Lynch, Allan Kaplan is considerably less optimistic about prospects for cigarette stocks over the next 12 months. Philip Morris has been a favorite of his for years. But the analyst downgraded his opinion a week ago to "neutral," matching the ratings carried on RJR and American Brands. Mr. Kaplan's action followed proposals brought before the Senate Finance Committee, particularly one that would double the federal excise tax, to 32 cents, on a pack of cigarettes.

For years, cigarette makers have been able to raise prices without serious consumer resistance, more than compensating for any decline in smoking habits. "But what concerns me now is the 1.5 percent annual decline in unit cigarette sales, compounded over the last five years," Mr. Kaplan said. "I expect the excise tax to rise 8 cents — and possibly 16 cents a pack."

"If the increase turns out to be 16 cents, and if the historical pattern of price increases prevails," he said, "the cost of an average pack would jump from \$1.15, to \$1.45. In the current low-inflation environment, however, I don't believe manufacturers can enjoy the same pricing flexibility prevailing in the past."

U.S. Shifts Reporting On Trade

Seeks Accuracy
By Delaying Data

United Press International

WASHINGTON — Few government reports have had more impact and less reliability than the U.S. Commerce Department's estimate of the merchandise-trade deficit, but the department hopes to change that starting next month.

The agency has announced that it will delay reporting the monthly trade figure by about two weeks in an attempt to make the report more accurate. Figures that used to be reported within a month — such as the report for January, to be released Feb. 27 — will not be available until 40 to 45 days after the end of the month covered in the report.

The department also said Tuesday that it would delay its reports on the gross national product by a few days to include better data in its calculations.

The first of the newly delayed trade deficit reports will be February's, now scheduled for release on April 14, the Commerce Department said. Future reports will come out in mid-month.

"It's about time," said Michael Evans, an economic forecaster in Washington. He said the numbers were so unreliable "as to be meaningless, and the revisions got worse and worse every month."

The Commerce Department has revised its initial estimates every month during the past year, including a 8.9 percent revision in February's data and a 23.5 percent change in November's figure. Another big swing is expected Feb. 27, when the department revises its December estimate of a \$10.66 billion deficit.

The numbers change because shippers are allowed to take up to 10 workdays before filing the export and import reports on which the government gets its trade data. As a result, the trade figures reflect the reports that came in during a month, not what actually left or entered the country in that period.

Paine Webber: Searching for a Niche

Having failed after seven years to push the group into investment banking's rich inner circle, its chairman, Donald B. Marron, is scaling down his goals.



By James Sterngold
New York Times Service

NEW YORK — Donald B. Marron, chairman of the Paine Webber Group, delighted recently in showing the playful new David Hockney photo montage hanging on the wall next to his desk. At a glance, it was hard to tell whether the jumbled image was falling apart, coming together or in a state of dynamic equilibrium.

Much the same might be said of Paine Webber. Seven years after Mr. Marron took over, it still is not clear what kind of company Paine Webber will turn out to be.

The brokerage house nearly collapsed in 1980 after an ill-executed merger with Blyth Eastman Dillon, the investment banker. Mr. Marron has pulled his company back together, particularly its core retail business, and put its earnings on a stable upward course. But he still has not succeeded at what he has called his most important objective: making Paine Webber a member of the "bulge bracket."

That is Wall Street argot for the first rank of investment banking houses — Morgan Stanley and Shearson Lehman Brothers, Merrill Lynch, Salomon Brothers, Goldman Sachs and First Boston — which garner most of the major deals.

Investment banking is the most glamorous and profitable — albeit risky — area of the securities business. Nowhere is the competition tougher or the competitors more determined to hold onto their share of the business. Paine Webber's story, in fact, is a familiar one: It is one of a handful of midsize securities companies, such as E.F. Hutton and Prudential-Bache Securities, vying with the industry's giants for a spot in the first ranks.

As recently as last year, Mr. Marron was saying he wanted to get Paine Webber into the top rank by 1989. But recently, for the first time, there have been signs that he is scaling back his objectives. He has said, for example, that "for us, the two most important things are that we are into quality businesses and that we produce a good return for our shareholders. That's what our strategy is aimed at, not getting into the bulge bracket."

For Mr. Marron, the struggle to establish Paine Webber's identity must be particularly vexing. A forceful, entrepreneurial man who stands 6 feet 6 inches (1.98 meters), he is used to achieving what he sets out to do. A thoughtful person whose most impressive quality can be how well he listens, he also is an executive who has shown "steely determination" in pursuing power and is comfortable exercising it, according to one of his closest friends, Bill Moyers, the television journalist and commentator.

Throughout his career he has proved himself unusually creative — and has made his ideas pay off.

He built Mitchell Hutchins into one of Wall Street's premier stock research firms and sold it to Paine Webber in 1977. In 1968, with a Harvard economist, Otto Eckstein, he founded Data Resources, the pioneering economic forecaster. McGraw-Hill bought the company for \$103 million in 1979.

But cracking the big leagues of investment banking is proving a far greater challenge.

Paine Webber remains tilted toward its retail, or consumer markets, side. The company has 286 retail offices and about 4,400 brokers, the sixth-most in the industry.

See MARRON, Page 15

EC Seeks to Halt Evasions of Dumping Duties

Compiled by Our Staff From Dispatches

BRUSSELS — In a move likely to aggravate trade tensions between Western Europe and Japan, the European Community proposed a crackdown Wednesday on assembly plants designed to evade anti-dumping regulations.

The proposal would seek to prevent companies such as makers of cars and videotape recorders from avoiding anti-dumping duties by assembling foreign-made components at so-called "screwdriver factories" within the EC, a spokesman for the European Commission said.

The move by the EC's executive body, which must be approved by the community's 12 member governments, calls for a tax to be levied under certain conditions on products produced at such plants.

Anti-dumping duties are imposed on imported goods that are judged to be selling at artificially low prices.

The EC's proposal, which was widely expected, stems from frustration over the EC's widening trade deficit with Japan and complaints from European companies that the Japanese sell products at prices below the cost of production. Japan recorded a record \$17 billion trade surplus with the EC last year.

The proposal would authorize the EC's Council of Ministers to impose anti-dumping duties on products when the value of the parts imported by the parent company for assembly in the EC exceeded the value of the other parts of the final product by at least 20 percent.

The other components do not

have to come from within the EC, as long as they did not originate in the parent company's country. The Council of Ministers would decide what level of duty to impose in dumping cases.

Takeshi Kamitani, an official at the Japanese mission at the EC, said that Japan would be hardest hit by the proposed new regulation and that it probably would raise questions about its legality.

Willy de Clercq, the EC trade commissioner, said that the new levy would apply to all non-EC countries, not Japan alone. He said that the measure would be consistent with regulations under the General Agreement on Tariffs and Trade.

Each time that the EC has announced an anti-dumping investigation or a decision to impose anti-dumping duties on certain imported products, Mr. de Clercq said, "one witnessed, as if by miracle, a proliferation" of factories that assemble the same products from imported parts.

"We want to stop this phenomenon," he said. He said that the practice was particularly common in the production of electronic typewriters, photocopyers, mechanical diggers and scales.

Some commission officials had questioned whether the measure would prompt Japanese and other Asian companies to cut back their investment in Europe.

Commenting on that concern, Mr. de Clercq said that the proposal was "purely and simply" aimed at closing a loophole in the anti-dumping rules. (AP, Reuters, AFP)

Hoechst Says It Will Sue EC In European Court Over Raid

Reuters

FRANKFURT — Hoechst AG, the West German chemical giant, said Wednesday that it will sue the European Community Commission, further escalating what has become a test of the EC executive group's ability to enforce community law in member states.

A spokesman said Hoechst would institute proceedings Monday in the European Court of Justice in Luxembourg against EC efforts to search company files while seeking evidence of possible price fixing on two common types of plastic.

In was not known when the case would be heard.

Last week, the commission said it would fine Hoechst 1,000 European currency units (currently \$1,133) a day for every day it refused to give EC investigators access to its files.

Hoechst, which is based in Frankfurt, had barred commission investigators from its files when they raided the company's offices on Jan. 20, arguing that the EC's

warrant was invalid. Then, in a local court, Hoechst obtained a temporary ban against the search.

The commission also has warned the West German government that it believes Bonn has breached EC law by failing to support the raid on Hoechst. That could lead to the commission taking Bonn to the European Court.

The commission maintains that member states are obliged by the EC's founding Treaty of Rome to end any assistance in such investigations.

Although officials from West Germany's Federal Cartel Office had accompanied the EC investigators, commission officials have said they believe that Bonn did not provide the necessary assistance for the Hoechst raid.

The commission suspects eight European-based producers of PVC and polyethylene plastics of operating a price-fixing cartel. Other companies under investigation include BASF AG of West Germany and Solvay & Cie. SA of Belgium.

Currency Rates

Currency	Rate	Change
American dollar	1.0000	
British pound	1.6450	+0.0050
French franc	6.5596	+0.0001
German mark	3.3757	+0.0001
Italian lira	2.3636	+0.0001
Japanese yen	163.89	+0.01
Swiss franc	2.0371	+0.0001
U.S. dollar	1.0000	
West German mark	3.3757	+0.0001

Currency	Rate	Change
American dollar	1.0000	
British pound	1.6450	+0.0050
French franc	6.5596	+0.0001
German mark	3.3757	+0.0001
Italian lira	2.3636	+0.0001
Japanese yen	163.89	+0.01
Swiss franc	2.0371	+0.0001
U.S. dollar	1.0000	
West German mark	3.3757	+0.0001

Source: Reuters. Rates are for 100 U.S. dollars unless otherwise indicated. All rates are in U.S. dollars.

Interest Rates

Rate	Change
1 month	10.00%
3 months	10.00%
6 months	10.00%
1 year	10.00%

Rate	Change
1 month	10.00%
3 months	10.00%
6 months	10.00%
1 year	10.00%

Rate	Change
1 month	10.00%
3 months	10.00%
6 months	10.00%
1 year	10.00%

Rate	Change
1 month	10.00%
3 months	10.00%
6 months	10.00%
1 year	10.00%

Rate	Change
1 month	10.00%
3 months	10.00%
6 months	10.00%
1 year	10.00%

Rate	Change
1 month	10.00%
3 months	10.00%
6 months	10.00%
1 year	10.00%

First Interstate Learns Difficulties of a Hostile Bid

The Associated Press

SAN FRANCISCO — First Interstate Bancorp.'s aborted bid to acquire BankAmerica Corp. illustrates the difficulty of making hostile banking takeovers work, analysts say.

"There are too many regulatory obstacles and potential defenses to fend off an unfriendly takeover," Stephen Berman of Nomura Securities in New York said Tuesday.

"They are very, very difficult to pull off in the banking industry," First Interstate, which is based in Los Angeles, said on Monday that it would withdraw its \$3.2 billion buyout offer for BankAmerica, the second-biggest U.S. bank holding company after Citicorp.

Joseph J. Pinola, chairman of

First Interstate, said the "continuing dismemberment" of BankAmerica had diminished the bank's value. He was referring to the company's sales of millions of dollars in profitable assets.

But mounting political opposition to the proposed takeover and the initial resistance of federal regulators also were seen widely as providing strong incentives to discontinue the effort.

Analysts said the Federal Reserve Board had numerous reasons to turn down First Interstate's application to acquire BankAmerica. "The Fed generally is perceiving that there should be more of a tangible asset to the merger than goodwill," said Joseph Arsenio of Birr, Wilson & Co. in San Francisco.

He added that a hostile takeover attempt was less likely to win approval when it involved very large banks.

After First Interstate filed to acquire BankAmerica, the Fed asked for additional information and raised questions about whether First Interstate could bring enough capital to a merged bank.

Mr. Arsenio also noted that in the banking industry, "it's easy to defeat the takeover artist by simply selling undervalued assets."

BankAmerica's executives had enlisted California politicians in the bank's fight to remain independent. San Francisco's mayor, Diianne Feinstein, and Senator Anne Cranston, a Democrat, questioned the need for a merger.

Low Dollar Means Green Pastures for Foreign Investors in U.S.

By Axel Krause
International Herald Tribune

DAVOS, Switzerland — Andrew Young, the mayor of Atlanta, had spent nearly half an hour extolling the economic virtues of Georgia during a symposium of the World Economic Forum, when a British electronics executive interrupted him.

"I share your sense of vision, Mr. Young," he said. "But we are looking at Atlanta for a possible headquarters site, and, frankly, we have a problem — an apparent high-tech in your area."

Members of the Georgia delegation quickly latched onto the executive, stressing the presence of the Georgia Institute of Technology, and pointing out that International Business Machines Corp. and American Telephone & Telegraph Co. were building new facilities in Atlanta. Later he agreed that "Atlanta does look better."

But, he said, the basic decision — not which city or state to move to, but rather to move to the United States — had already been made. This, he said, was largely because of the fall of the dollar, which for a non-U.S. company means a better return on its national currency when making the investment, and the ability to export more cheaply from the United States.

The British company is among several hundred, mainly in Western Europe and in Asia, that are shaping their strategies to cope with the dollar's fall by shifting new investment to the United States, and

away from developing countries. Many of the companies were represented in Davos at the annual symposium that ended last Thursday and attracted 600 business leaders from more than 50 countries.

"This particular British company hit us as a total surprise, but not the overall trend," said Mr. Young, who led a delegation from Georgia. Other groups came to drum up investment in Jeddah, Quebec, Australia, Malaysia, South Korea and France's Rhone-Alpes region.

"We recognize the worldwide competition for investments, but now, with the dollar lower, the window is open," said W. Glenn Cornell, senior vice president of Citizens & Southern National Bank in Atlanta.

Mr. Cornell said more than 1,000 companies from 42 countries had set up plants in Georgia, mainly from Japan, Britain, West Germany, the Netherlands, France and Sweden. Others, notably from South Korea and Taiwan, were interested, he said.

Robert D. Horvath, a director of Goldman Sachs & Co., the New York investment bank, said the lower dollar was by no means the only reason for the new interest by foreign investors. Other reasons cited by conference participants were a desire to circumvent growing U.S. protectionism and a desire to spend profits that have been inflated in national currencies by the dollar's weakness.

But, Mr. Horvath said, the lower dollar represented "a bottom line"



Andrew Young

that was triggering decisions to come to the United States in dozens of sectors ranging from electronics manufacturing to services.

Western European, Japanese and Korean companies were frequently mentioned as being the most active seekers.

"There is no doubt that the shift in the yen and the dollar has made foreign investments more attractive to Japanese multinationals, among others," said R.T. McNamara, who is managing director of a small merchant banking firm and was deputy secretary of the Treasury from 1981 to 1985.

He said that Japanese multinationals generated only an estimated 3 percent to 5 percent of sales from

foreign manufacturing, compared with 20 percent by U.S. multinationals. "But Japanese firms, with which we work, are by no means alone," Mr. McNamara said.

Swiss and French bankers at Davos said that at least half a dozen large French companies were preparing major investments in the United States, including Cie. de Saint-Gobain, the glass manufacturer that is being privatized.

Korean officials, while insisting that they were "not another Japan," nonetheless radiated determination to invest not only in the United States, but in Western Europe. "Our investment activity internationally is just beginning to take shape — and we are not discriminating among regions," said Bong Soo Hahn, president of the Korea Trade Promotion Corp.

Trade Promotion Corp. officials cited figures showing that as of last August, overseas investment by Korean companies had risen to about \$700 million, roughly 63 percent of which was in the United States and Canada, followed by Southeast Asia, the Middle East and Latin America.

Western Europe, according to the figures, had only accounted for \$14 million, which was half of what Korea had invested in Africa during the same period.

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Markets Closed

Markets in Japan were closed Wednesday for a national holiday.

NYSE Most Active

Vol.	High	Low	Last	Ch.
AT&T	28 1/2	28 1/4	28 1/2	+ 1/4
IBM	160 1/4	160 1/4	160 1/4	+ 1/4
GE	29 1/4	29 1/4	29 1/4	+ 1/4
AMER	29 1/4	29 1/4	29 1/4	+ 1/4
AMER	29 1/4	29 1/4	29 1/4	+ 1/4
AMER	29 1/4	29 1/4	29 1/4	+ 1/4
AMER	29 1/4	29 1/4	29 1/4	+ 1/4
AMER	29 1/4	29 1/4	29 1/4	+ 1/4
AMER	29 1/4	29 1/4	29 1/4	+ 1/4
AMER	29 1/4	29 1/4	29 1/4	+ 1/4

Market Sales

NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000

NYSE Index

NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000

Wednesday's NYSE Closing

Via The Associated Press

AMEX Diary

AMEX 3 a.m. volume	114,760,000
AMEX 3 a.m. volume	114,760,000
AMEX 3 a.m. volume	114,760,000
AMEX 3 a.m. volume	114,760,000

NASDAQ Index

NASDAQ 3 a.m. volume	114,760,000
NASDAQ 3 a.m. volume	114,760,000
NASDAQ 3 a.m. volume	114,760,000
NASDAQ 3 a.m. volume	114,760,000

AMEX Most Active

AMEX 3 a.m. volume	114,760,000
AMEX 3 a.m. volume	114,760,000
AMEX 3 a.m. volume	114,760,000
AMEX 3 a.m. volume	114,760,000

NYSE Diary

NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000

Odd-Lot Trading In N.Y.

NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000
NYSE 3 a.m. volume	114,760,000

Dow Jones Averages

Dow Jones 3 a.m. volume	114,760,000
Dow Jones 3 a.m. volume	114,760,000
Dow Jones 3 a.m. volume	114,760,000
Dow Jones 3 a.m. volume	114,760,000

Standard & Poor's Index

Standard & Poor's 3 a.m. volume	114,760,000
Standard & Poor's 3 a.m. volume	114,760,000
Standard & Poor's 3 a.m. volume	114,760,000
Standard & Poor's 3 a.m. volume	114,760,000

Previous NASDAQ Diary

NASDAQ 3 a.m. volume	114,760,000
NASDAQ 3 a.m. volume	114,760,000
NASDAQ 3 a.m. volume	114,760,000
NASDAQ 3 a.m. volume	114,760,000

AMEX Stock Index

AMEX 3 a.m. volume	114,760,000
AMEX 3 a.m. volume	114,760,000
AMEX 3 a.m. volume	114,760,000
AMEX 3 a.m. volume	114,760,000

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Trendless Trading on NYSE

United Press International
NEW YORK — The New York Stock Exchange was showing small gains late Wednesday in moderate trading after three days of moderate declines.

The Dow Jones industrial average, which fell 18.70 points Tuesday, was up 4.78 to 2,162.82 at 3 P.M.

Gainers were leading losers by 4-3 among NYSE issues traded.

Volume at 3 P.M. was 134 million shares.

Although most U.S. stock market tables in this edition are from the 4 P.M. close in New York, for three reasons, this article is based on the market at 3 P.M.

down from 141 million in the like period Tuesday.

Prices were higher in active trading of American Stock Exchange issues.

Jon Groveman, head of equity trading at Ladenburg, Thalmann & Co., said buying picked up in the afternoon because it looked as though the course of least resistance was upward.

"After three consecutive declines and with short- and long-term interest rates rising, the market had every reason in the world to sell off," Mr. Groveman said. "When stocks did not respond to that negative stimulus, people became more willing to buy."

"The market's been trendless all day," one trader said. "Volume is light. There's not a lot of institutional buying."

Diamond Shamrock was ahead on volume of 7.4 million shares. The company is restructuring after fending off a takeover bid from T. Boone Pickens.

British Airways was trading at 16 1/2 in an initial public offering of 6 million shares. The shares are an interim form of American Depositary Receipts representing part-ownership of 10 British Airways shares.

In London, the underlying shares were priced at 98 cents, opened at \$1.78, and then slipped to \$1.63.

Comdata Network was ahead. Its board approved in principle a recapitalization plan under which it will repurchase up to six million of the company's approximately 19 million shares outstanding at \$14.50 each.

Carter-Wallace was gaining. The company makes Tropic brand condoms and Surgeon General C. Everett Koop said Tuesday he supported advertising condoms on network television.

After succumbing to profit taking Tuesday, most paper stocks were stronger. Kimberly-Clark, Mead and International Paper were gaining.

Baxter Travenol was up. It said fourth-quarter earnings from continuing operations rose to \$59 million from \$2 million.

Among blue chips, IBM, AT&T, USX, General Electric, Sears, Goodyear Tire, Owens-Illinois and Eastman Kodak were ahead. General Motors, Philip Morris and American Express were lower.

On the Amex, Western Digital and Entertainment Marketing were ahead and Husky Oil was fractionally lower, all in active trading.

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Austria	A.Sch.	4,800	2,600	1,450	13.20	22	A.Sch. 9	A.Sch. 376
Belgium*	B.Fr.	10,700	5,800	3,200	29	50	B.Fr. 21	B.Fr. 764
Denmark	D.Kr.	2,300	1,250	690	6.30	10	D.Kr. 37	D.Kr. 1347
Finland*	F.M.	1,630	880	490	4.50	8	F.M. 35	F.M. 1274
France	F.F.	1,400	760	420	3.85	7	F.F. 315	F.F. 1147
Germany*	D.M.	560	300	170	1.55	2.7	D.M. 1.15	D.M. 419
Gr. Britain	£	120	65	36	0.33	0.55	£ 0.22	£ 80
Greece	Dr.	20,000	11,000	6,000	55	100	Dr. 45	Dr. 16,380
Ireland	£Ir.	140	77	42	0.38	0.70	£Ir. 0.32	£Ir. 116
Italy	Lire	350,000	190,000	106,000	960	1,800	Lire 840	Lire 305,760
Luxembourg	L.Fr.	10,700	5,800	3,200	29	50	L.Fr. 21	L.Fr. 764
Netherlands	£Fl.	634	340	190	1.75	3	£Fl. 1.25	£Fl. 485
Norway*	N.Kr.	1,650	900	500	4.50	8	N.Kr. 3.50	N.Kr. 1274
Portugal	Esc.	19,000	10,400	5,700	52	125	Esc. 73	Esc. 26,572
Spain*	Ptas.	26,500	14,600	8,000	73	135	Ptas. 62	Ptas. 22,582
Sweden*	S.Kr.	1,700	920	520	4.70	8	S.Kr. 3.30	S.Kr. 1,280
Switzerland	S.Fr.	490	270	148	1.35	2.50	S.Fr. 1.15	S.Fr. 418
Rest of Europe N. & French Africa, Middle East		400	220	120	1.19	Varies by country	\$ 0.89	
Rest of Africa, Gulf States, Asia	\$	550	300	165	1.64	Varies by country	\$ 1.51	

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INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 11 Feb. 1987

Not quoted prices are supplied by the Funds listed with the exception of prices based on last price. The market value indicates the frequency of quotations supplied: (1) daily; (2) weekly; (3) bi-monthly; (4) quarterly; (5) semi-annually; (6) annually.

The numerical symbols indicate frequency of quotations supplied: (D) - daily; (W) - weekly; (L) - bi-monthly; (F) - quarterly; (B) - bi-annually.					
MANAGEMENT	5	36.28	BRIMMAGE MFG. CAYMAN LTD.	IN. CAYMAN U.S.	35.86
ALULUS BROS. & CO. LTD.	5	36.28	IN. CAYMAN LTD.	IN. CAYMAN LTD.	35.86
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ALULUS BROS. & CO					

BUSINESS ROUNDUP

Reuters's Pretax Profit Rises 39%

LONDON — Reuters Holdings PLC, the fast-growing financial information and news group, said Wednesday that its pretax profit rose 39 percent in 1986, and that it would launch an expanded global equity information service by May.

Reuters recorded pretax profit of £130.1 million (\$198.4 at current rates), up from £93.6 million in 1985. The increase, continuing a pattern of sharp earnings growth in recent years, was in line with analysts' expectations.

Net profit for the year surged 47 percent, to £80.7 million, from £54.9 million in 1985. On an earnings-per-share basis, profit rose to 19.4 pence, from 13.2 pence.

Currency fluctuations contributed £7 million to net profit, the company said.

Revenue, spurred by buoyant European orders and favorable sec-

ond-half exchange rates, jumped 43 percent to £620 million, from £434.1 million a year earlier.

Glen Renfrew, Reuters managing director and chief executive, said 1986 profit would have been considerably higher had the group not invested heavily last year.

The company spent £72 million on acquisitions in 1986, including the £41.7 million purchase of a 49 percent stake in U.S.-based Instant Corp., an automated trading service featuring U.S. equities.

Mr. Renfrew said that the outlook for 1987 was positive, and that Reuters remained interested in acquisitions. The company's cash balance at the end of last year was £93.4 million, he said.

Mr. Renfrew said that the company intended to acquire full control of Instant by May as part of the merger agreement reached in November 1986.

He added that said Instant's trading system would be integrated by May into a new electronic securities service, Equity 2000, providing price information on about 100,000 equities, futures, options and commodities.

Equity 2000, which is in its final testing stages, will offer faster and more detailed price information than Reuters's existing systems, which are able to provide coverage on 80,000 financial instruments, Mr. Renfrew said.

Canada to Sell TeleGlobe

OTTAWA — State-run TeleGlobe Canada Inc., which handles Canada's overseas telecommunications needs, is to be sold to Mentelec Data Inc. for 608.3 million dollars (\$456 million), the Ottawa government announced Wednesday.

Porsche Revenue Declined 5.5% In Its First Half

STUTTGART — Porsche AG, the West German sports car manufacturer, said Wednesday that its revenue fell to 1.7 billion Deutsche marks (\$940 million at current exchange rates) in the six months ended Jan. 31, down 5.5 percent from 1.8 billion DM a year earlier.

The company did not report six-month profits. But Heinz Brantitzki, the deputy chairman of Porsche's managing board, said net profit is expected to total less than 70 million DM in the current fiscal year, a decline of at least 7 percent.

He added, however, that net profit in the year ending July 31 would probably exceed 50 million DM. Porsche earned 75.3 million DM in 1985/86, a sharp drop from the previous year.

Mr. Brantitzki attributed the earnings drop largely to the decline of the dollar and lower sales in West Germany.

Porsche said its sales volume declined 4.3 percent, to 25,300 units, in the first half compared with the 1985/86 period. U.S. sales rose in the half, accounting for 63 percent of the total, compared with 54 percent for the full 1985/86 fiscal year.

Merger of Contel, Comsat Advances

ATLANTA — Stockholders of Contel Corp., a telephone company, and Communications Satellite Corp., a quasi-governmental U.S. telecommunications company, have approved a stock-swap merger valued at about \$2.5 billion.

State agencies and the U.S. Federal Communications Commission still must approve the merger, which has been questioned by competitors and congressmen. Officials of the two companies said Wednesday that they were confident the marriage would be approved.

Spokesmen said Tuesday that the company would keep the name Comsat but would be managed by executives from Atlanta-based Contel, which has 2.3 million local telephone customers. Comsat, based in Washington, sells satellite capacity for international telephone and television networks.

BUSINESS PEOPLE

U.S. Said to Nominate Burch to Head Intelsat

By Arthur Higbee
International Herald Tribune

The U.S. government has nominated Dean Burch, a communications lawyer and former assistant to Republican presidents, to head Intelsat, the international satellite consortium, a government official has told The Washington Post.

The official said Tuesday that the State Department has instructed Comsat, a communications company that represents the United States in the 112-state Intelsat consortium, to nominate Mr. Burch as director general.

Intelsat fired its last director general, Richard R. Colino, in December after allegations of unauthorized payments to mortgage brokers for arranging a loan to refinance the consortium's new Washington offices. Mr. Colino has denied the allegations.

Other countries may also nominate candidates to head Intelsat, which operates a global communications system that handles two-thirds of all overseas telephone calls and most international TV broadcasts.

Mr. Burch was chairman of the Republican National Committee in 1964 and 1965; chairman of the Federal Communications Commission from 1969 to 1974; served as counselor to Presidents Richard Nixon and Gerald Ford, and has been a partner in the law firm of Pierson, Ball & Dowd since 1975.

Unilever, the British-Dutch consumer goods conglomerate, announced Tuesday that it had completed its \$3.1 billion acquisition of Chesebrough-Pond's Inc. of Westport, Connecticut, and that Morris Tabakshlat, a Unilever director, would become chairman and chief executive effective March 1.

Mr. Tabakshlat, 49, succeeds Ralph E. Ward, 65, who has run Chesebrough since 1968. The company manufactures personal-care products, including Cutex nail polish and Q-Tips cotton swabs. Chesebrough will be a subsidiary of Unilever United States Inc.

Mr. Tabakshlat, born in Rotterdam, studied law at Leiden University. He joined Unilever in 1964 and has worked in the Netherlands, Spain and Brazil.

Ball-Incon Glass Packaging Corp. is the name of a new glass container manufacturer formed in a joint venture by Ball Corp. and TBC, American branch of the Dutch TBC group. Frank A. Bracken, 53, group vice chairman for glass containers at Ball, will be chairman of the new company and H. Ray Looney, 51, head of TBC's glass operations, will be president.

oda of Isuzu Motors Ltd. will be executive vice president and chief operating officer. Plant construction is scheduled to begin in April and to be completed in 1989. The factory will make 60,000 Subaru cars and 60,000 Isuzu light-duty trucks a year and employ about 1,700 workers.

Daisy Systems Corp., a Mountain View, California, manufacturer of computer-aided design systems, has given its president, Harvey C. Jones, the additional title of chief executive. He takes over that job from Max Palevsky, who remains chairman. Mr. Jones, 34, had become president in a management shake-up last August, which saw the resignations of Aryeh Finegold as president and chief executive and of Frederick R. Adler as chairman. The restructuring followed an unexpected loss and layoffs for Daisy, which had previously been one of the fastest-growing high-technology companies.

Subaru-Isuzu Automotive Inc. will be the name of a joint venture of two Japanese automakers building a \$500 million plant near Lafayette, Indiana. Tami Yamamoto of Fuji Heavy Industries Ltd., maker of Subaru cars, will be president and chief executive officer of Subaru-Isuzu, and Motoyuki Shin-

oda of Isuzu Motors Ltd. will be executive vice president and chief operating officer. Plant construction is scheduled to begin in April and to be completed in 1989. The factory will make 60,000 Subaru cars and 60,000 Isuzu light-duty trucks a year and employ about 1,700 workers.

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Texas Eastern Corp., a diversified energy company based in Houston, has announced that Dennis R. Hendrix, president and chief operating officer, will be named to the additional post of chief executive, effective June 1. Mr. Hendrix, 47, replaces I. David Bufkin, who will turn 65 in May. Mr. Bufkin will continue as chairman.

U.S. Approves Merger Of CSX, Sea-Land Corp.

WASHINGTON — The U.S. Interstate Commerce Commission voted unanimously Wednesday to approve CSX Corp.'s pending acquisition of Sea-Land Corp., the giant shipping company.

But the agency indefinitely delayed CSX's ability to take control of two Sea-Land trucking subsidiaries, Sea-Land Freight Service Inc. and Intermodal Systems Inc.

BA Shares High As Trade Starts

LONDON — Shares of British Airways PLC, which was sold to the public last week for £900 million sterling (\$1.37 billion), were trading Wednesday at nearly twice their offered value in their first day on the London Stock Exchange.

Official dealing began at 119.5 pence (\$1.83) for the shares, offered originally at 65 pence, but dropped later to 110.5 pence.

The high premium paid Wednesday for the shares seemed certain to draw criticism from the opposition Labor Party, which argues that the government is selling off public assets too cheaply.

Goldsmith, Hersant Submit Only Bids for France's La Cinq

PARIS — Sir James Goldsmith, the Anglo-French financier, and Robert Hersant, the rightist French press baron, are the only bidders for the private French television station La Cinq, a government commission has announced.

The National Commission for Communication and Liberties, or CNCL, in closing the list of bidders for the government's sale of two private channels, said Tuesday night that five groups would bid for the other channel, TV6.

The TV6 bidders were identified as Luxembourg's Compagnie Luxembourgeoise de Télédiffusion; the cinema group UGC; the current owner, Gaumont-Publicis-NRJ; a group headed by the pay-TV station Canal Plus, and Capital TV.

La Cinq and TV6 franchises were granted by the former Socialist administration but scrapped by the rightist government of Prime Minister Jacques Chirac, on the ground that they had not been fairly offered.

In a separate development, the culture and communications minister, François Léotard, said the government would not lower the minimum price of 3 billion francs (about \$496 million) that it had set for the 50 percent stake in TFI that will be privatized. State-owned TFI is France's most popular television network.

The sale of TFI suffered a setback Sunday when a leading bidder, Agence Havas SA, the state-owned advertising and publishing company, said it was pulling out.

COMPANY NOTES

De Laurentis Entertainment Group Inc. of Los Angeles said its Australian subsidiary had completed a public offering to Australian investors of 55 million ordinary shares, or 50 percent of the company, at 50 cents each. Proceeds will be used in part to finance film production and distribution.

Eastern Airlines said it had agreed to sell or lease six Airbus Industrie A-300 wide-body aircraft to another Texas Air Corp. unit, Continental Airlines, at undisclosed terms.

Minnesota Mining & Manufacturing Co. said it acquired Diaphon AB, a Swedish research and development company in Gothenburg, for an undisclosed cash sum. 3M said that Diaphon's technology was expected to result in a series of hearing aids that can be programmed by computer.

Pirelli SPA of Italy said it had signed a \$25 million contract with MRF Ltd., India's second-largest tire producer, to provide engineering assistance and machinery for a new MRF plant that will manufacture 3,500 tons of conveyor belts a year near Madras.

Au Printemps SA, the French department store and supermarket chain, has taken a 14.66 percent stake in

La Redoute, the mail order and specialty store company, that is valued at 500 to 600 million francs (\$82 to \$99 million). Au Printemps said that the acquisition sheltered Redoute from any hostile takeover.

Siemens AG, the West German electronics conglomerate, said that the number of foreign shareholders in the company more than doubled in the four years to Oct. 1. Investors living abroad constituted 21 percent of all shareholders as of Oct. 1, and the foreign stake in Siemens' share capital had risen to 44 percent, worth 2.4 billion Deutsche marks (\$1.32 billion), from 30 percent in 1982.

Unocal Corp. of Schaumburg, Illinois, said it would raise its price on refined oil products by two-tenths of a cent per gallon on Feb. 15 to reflect a charge imposed on oil companies by the U.S. government to pay for the "superfund" to clean up toxic waste.

Volkswagen AG expects to increase its car prices in the United States this year because of the weak dollar, the group's chairman said. In 1986, VW raised its U.S. prices fourfold because of the dollar's weakness, and combined sales of VWs and the Audi fell about 6 percent to 275,000 cars.

FED: Policy Shift Feared

(Continued from Page 1)

Federal Open Market Committee will not be made public until April 3.

"The economy is playing a big part here," said Mitchell J. Feld, head of fixed-income research at Smith Barney. "An increase in the discount rate would just undo everything they have done so far."

Economists believe that the Fed is trying to tell the financial markets that it has put its accommodative policy of lower interest rates on temporary hold.

They suggested that the Fed is trying to signal that any possibility of another cut in the discount rate, which now stands at 5.5 percent, is clearly out of the question in the short term.

"Don't count on any more easing," said Lawrence Chimarino, chairman and chief economist for Chase Econometrics. "The Fed isn't going to ease any further until the dollar stabilizes."

The Fed's apparent decision to allow the market to bid up short-term interest rates is designed to reinforce that impression, many economists say.

"If it doesn't shore up the dollar," said Irwin L. Kellner, chief economist at Manufacturers Hanover Trust, "at least it's telling the market that there is a two-way street when it comes to the dollar."

"There is a need for any central bank to remind everyone about concern for its currency," he said. Just how long the Fed will allow short-term rates to move higher is emerging as a key concern. The Fed will have to walk a fine line, tempering its concern for the dollar with the prospects for economic growth.

Mr. Kellner said that the Fed is far from abandoning its accommodative policies because it fears the snuffing out of any economic growth this year. It would not hesitate, he said, to add liquidity to the credit market and halt the rise if it appears to steep.

Most economists agree that the Fed wants to avoid a major strengthening of the U.S. currency, which could result if currency markets view the current rise in rates as an overall trend.

TO OUR READERS IN THE NETHERLANDS

The International Herald Tribune has recently modified its distribution system in The Netherlands to provide more timely service for our readers. If you encounter any difficulties in obtaining your copy, please contact: Express International B.V., Boerendijkweg 224, 2051 GM Overveen, The Netherlands. Tel: 0 23 25 29 69/70c 41833

COMMONWEALTH OF THE BAHAMAS
IN THE SUPREME COURT
Common Law Side

1986

NO. 549

BETWEEN

BANCO AMBROSIANO OVERSEAS LIMITED
(In Liquidation)

Plaintiffs

AND

PIERRE W. SIEGENTHALER
Defendant

NOTICE

TO: Pierre W. Siegenthaler,
Provinciales,
Turks & Caicos, B.W.I.

TAKE NOTICE that Banco Ambrosiano Overseas Limited (In Liquidation) of One Millars Court, Nassau, Bahamas, have begun an action against you, Pierre W. Siegenthaler, in the Supreme Court of the Commonwealth of The Bahamas by Writ of Summons dated the 6th May, A.D., 1986 which Writ of summons has endorsed thereon a claim as follows:

1. A Declaration that the Defendant is required to account to the Plaintiffs for all monies had and received by the Defendant for and to the use of the Plaintiffs.
2. A Declaration that the Defendant is liable to the Plaintiffs for damages and/or to contribute to the Plaintiffs' assets such sums of money as the Court may think just by reason:
 - (i) of misappropriation by the Defendant of monies of the Plaintiffs;
 - (ii) of the retention by the Defendant in his own hand of monies of the Plaintiffs;
 - (iii) of his accountability for monies of the Plaintiffs;
 - (iv) of his misfeasance in relation to the Plaintiffs;
 - (v) of his breaches of trust and/or breaches of fiduciary duty to the Plaintiffs;
3. A Declaration that all assets acquired by the Defendant which derive either wholly or in part from the Plaintiffs' assets belong to or are the property of the Plaintiffs.
4. A Declaration that the Defendant is liable to account to the Plaintiffs for any profit which may have accrued to the Defendant as a result of the holding of the Plaintiffs' assets.
5. All necessary accounts directions and enquiries.
6. Further or other relief.
7. Costs.

Dated this 6th day of May, A.D., 1986.

(Sgd) Callenders, Sawyer, Klonaris & Smith
Attorneys for the Plaintiffs.

AND that it has been ordered that service of the Writ in the said Action on you be effected by this advertisement.

AND FURTHER TAKE NOTICE that you must within Twenty-eight (28) days from the publication of this advertisement inclusive of the day of such publication, acknowledge service of the said Writ of Summons by completing a prescribed form of Acknowledgment Of Service which may be obtained on request from the solicitors whose name and address appear below.

DATED 23rd day of January, A.D., 1987.

CALLENDERS, SAWYER, KLONARIS & SMITH
Chambers
P.O. Box N-7117
One Millars Court
Nassau, Bahamas
Attorneys for the Plaintiffs.

Compagnie de Distribution de Matériel Electrique



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Southern Electric Supply Company, Inc.

The undersigned initiated this transaction and acted as financial advisor to C.D.M.E.

30 Broad Street
New York, NY 10004
(212) 480-9400

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A venture banking affiliate of
E. M. Warburg, Pincus & Co., Inc.

The private placement of limited partnership interests in this venture capital fund has been arranged with institutional and individual investors.

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Wednesday's
NYSE
Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month		Stock	Div. Yld.	PE	S&P 100s High/Low	Close
High	Low					

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Floating-Rate Notes

[illegible]

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Andalusia and
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the fisherman's
taverns where
you may
decide to start
the evening with
an appetitif.

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BUSINESS/FINANCE

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International Stock Markets and Commodities.
WEDNESDAY
International Manager.
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Wall Street Watch.
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SATURDAY
Economic Scene/Business Profile.
WEDNESDAY/THURSDAY/FRIDAY
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TUESDAY THROUGH SATURDAY:
Currency Markets/Euromarkets.
PERSONAL INVESTING
on the second Monday of every month.
And the latest financial figures every day.

INTERNATIONAL HERALD TRIBUNE
1857
CENTENNIAL

Wednesday's AMEX Closing

Tables include the nationwide prices as to the closing on Wall Street and do not reflect late trades elsewhere.

In The Associated Press

12 Month High Low	Stock	Div	Yld	PE	52 Week High Low	Close	Chg
14 1/2	ACI Mid	1.28	8.4	14 1/2	14 1/2	14 1/2	0
15 1/2	ACI W	1.28	8.4	15 1/2	15 1/2	15 1/2	0
16 1/2	ACI W	1.28	8.4	16 1/2	16 1/2	16 1/2	0
17 1/2	ACI W	1.28	8.4	17 1/2	17 1/2	17 1/2	0
18 1/2	ACI W	1.28	8.4	18 1/2	18 1/2	18 1/2	0
19 1/2	ACI W	1.28	8.4	19 1/2	19 1/2	19 1/2	0
20 1/2	ACI W	1.28	8.4	20 1/2	20 1/2	20 1/2	0
21 1/2	ACI W	1.28	8.4	21 1/2	21 1/2	21 1/2	0
22 1/2	ACI W	1.28	8.4	22 1/2	22 1/2	22 1/2	0
23 1/2	ACI W	1.28	8.4	23 1/2	23 1/2	23 1/2	0

12 Month High Low	Stock	Div	Yld	PE	52 Week High Low	Close	Chg
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18 1/2	ACI W	1.28	8.4	18 1/2	18 1/2	18 1/2	0
19 1/2	ACI W	1.28	8.4	19 1/2	19 1/2	19 1/2	0
20 1/2	ACI W	1.28	8.4	20 1/2	20 1/2	20 1/2	0
21 1/2	ACI W	1.28	8.4	21 1/2	21 1/2	21 1/2	0
22 1/2	ACI W	1.28	8.4	22 1/2	22 1/2	22 1/2	0
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17 1/2	ACI W	1.28	8.4	17 1/2	17 1/2	17 1/2	0
18 1/2	ACI W	1.28	8.4	18 1/2	18 1/2	18 1/2	0
19 1/2	ACI W	1.28	8.4	19 1/2	19 1/2	19 1/2	0
20 1/2	ACI W	1.28	8.4	20 1/2	20 1/2	20 1/2	0
21 1/2	ACI W	1.28	8.4	21 1/2	21 1/2	21 1/2	0
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France Calls on Banks To Delay Check Charges

PARIS — Finance Minister Edouard Balladur asked French banks on Wednesday to postpone handling charges for checks that most planned to introduce on April 1.

Credit Lyonnais, one of the big three state-owned commercial banks, said it would comply with Mr. Balladur's request, presented at a meeting of the Association of French banks.

Last year, the banks association recommended that its members levy a 120 franc (about \$20) annual charge on checking accounts to cover check handling costs, starting on Jan. 1. Such charges are already part of banking life in several nations.

Consumer resistance forced the banks into a three-month postponement. Earlier this month, most banks sent circulars to their clients with complex plans for a mix of charges aimed at discouraging the use of checks for minor payments.

(Continued on next page)



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CURRENCY MARKETS

Dollar Steadies in European Trading

Reuters
LONDON — The dollar held steady Wednesday in European trading at around Tuesday's New York closing levels as dealers kept trade to a minimum before the release of key U.S. economic data later this week.

The U.S. currency traded quietly within a range of 1.8090 to 1.8340 Deutsche marks, closing in London at 1.8162. That was above Tuesday's London close of 1.7970, but almost unchanged from New York's close of 1.8160.

Against the yen, it climbed to 153.68 yen, from 152.40 Tuesday in London. It had closed Tuesday in New York at 153.35.

The British pound closed at \$1.5240, down from Tuesday's final of \$1.5355 in London. It had closed in New York on Tuesday at \$1.5251.

After the dollar's volatility earlier in the week, when it dropped

London Dollar Rates

Currency	Rate	Time
Deutsche mark	1.8162	1.53
French franc	162.40	1.53
Swiss franc	1.5240	1.53
Japanese yen	153.68	1.53

Source: Reuters

more than 5 pence on comments by the U.S. Treasury secretary, James A. Baker 3d, the market is unwilling to open any new positions without firm guidance, dealers said.

Money dealers said the market was awaiting reports on U.S. retail sales on Thursday and wholesale prices and industrial production on Friday to give some leads on the strength of the U.S. economy and the prospects for an increase in interest rates to levels that would make it more attractive to hold dollars.

"I would not be surprised if we come in tomorrow to find the dollar not dissimilar to tonight's levels," a London dealer said. But he added that there could be some operators still left with long positions taken at higher levels before the dollar's plunge at the start of the week.

If the retail sales data are sufficiently encouraging, these operators could attempt to drive the dollar back up in order to liquidate their positions, he said.

Most analysts are forecasting a drop of 4 to 5 percent in January retail sales, after a 4.4 percent rise in December.

In earlier European trading, the dollar was fixed in Frankfurt at 1.8155 DM, almost unchanged from 1.8166 at Tuesday's close, and in Paris at 6.0490 French francs, compared with 6.0425.

BRAZIL: Economic Chaos

(Continued from Page 1)

price freeze, and unprecedented consumer spending, had created.

As a result, with industrial output growing by 12 percent and consumption by 20 percent, many products were soon in short supply, or available only on the black market. Further, the surge in consumer demand drew in imports and discouraged producers from exporting. Brazil's average monthly merchandise-trade surplus has fallen from more than \$1 billion to between \$150 million and \$200 million during the last four months.

Nonetheless, because of the political importance of the economic measures that have become known as the "Cruzado Plan," the government has seemed reluctant to draw up a replacement strategy even after it began to free some of the controlled prices in late November.

The price freeze formally ended Feb. 4, but already, inflation had passed 16 percent in January, equivalent to an annual rate of more than 500 percent.

"No one is foolish enough to deny that the current situation is the most serious in Brazil's economic history, even worse than a year ago," said Marcio Fortes, president of the government's National Bank for Economic and Social Development.

Today, all that is left of the Cruzado Plan is the cruzado, the currency created by eliminating three zeros from the old cruzeiro. But the plan has bequeathed an economy in which the relative price structure has been destroyed.

In its effort to "realign" prices, the government has approved across-the-board increases, although it plans to maintain control on 200 lines of basic products, including many foods.

MARRON: Seeking Paine Webber's Niche Among the Financial Giants

(Continued from first finance page)
largest sales force in the industry. Before 1984, Paine Webber earned roughly a quarter of its profits from investment banking, or capital markets, activities, and the remainder from the retail division. Last year, however, the two divisions made nearly equal contributions to the company's operating income.

Mr. Marron has spent most of the last seven years putting the company back on a solid financial footing after the disruptions caused by the Blyth merger. First, he had to upgrade Paine Webber technologically, spending millions on new computer equipment. Then he put subsidiaries under one holding company and reorganized the parent company into two divisions, capital and consumer markets.

He began recruiting new talent. Donald E. Nickelson, now president of Paine Webber, was put in charge of reorganizing the retail division and cutting the sales force.

Mr. Marron professes satisfaction with Paine Webber's profitability, its net earnings having jumped to \$71.6 million in the fiscal year that ended Sept. 30, up 112 percent from the depressed year before, while revenues rose 27 percent, to \$2.38 billion. But there is a real question whether midsize companies built around retail stock brokerage can stand the growth and profits of those with a stronger investment banking presence.

Mr. Marron continues to face several tough questions about the future. Does Paine Webber have the capital and talent, to compete in both the retail and institutional markets? Will it risk losing some top corporate customers if it decides not to participate in some areas of investment banking but instead to look for specialized niches? Might it be forced into merging with a larger financial institution to augment its resources?

In the current order of things, five or six of Wall Street's largest securities houses dominate invest-

ment banking and capital markets — the business of underwriting new stock and bond issues, arranging and financing corporate mergers and trading securities. They usually are the first to be called by major corporations considering financings or takeovers, and get the cream of this lucrative business. In turn this creates a self-perpetuating flow of new business and profits.

"Don Marron saved that firm, but it's probably harder than ever before to gain entry to the top ranks of this business,"

— Howard G. Berg, a former Paine Webber executive

and G. Berg, a former senior executive at Paine Webber who is now chairman of Moseley Securities. "The big guys have been making it prohibitive to get back into the top end."

In addition, the increasingly risky business is conducted demands that investment banks have ever larger pools of capital to commit to big deals. This clearly favors securities houses with more financial heft. After the Blyth merger, Paine Webber ranked second in the use of junk bonds to finance takeovers, earning itself the huge fees that a company with a dominant market position can command.

So far, however, Paine Webber has not found any thing it can do better than anyone else. "The thing you have to realize is that your major competitors are never going to let you get a leg up unless you have something really new or different to offer," said Samuel L. Hayes 3d, professor of investment banking at Harvard Business School. "There is nothing that Paine Webber has that others cannot duplicate."

Recognizing the difficulties, Paine Webber is trying to concentrate on certain areas rather than trying to compete across the board. Those niches include mergers

Electric Co., which recently provided a huge capital infusion.

Because of these worries, Paine Webber is occasionally mentioned as a takeover candidate, which makes its stock price fluctuate erratically. But Mr. Marron rejects the possibility of a takeover for the time being and, to drive the point home, the board recently proposed that Paine Webber adopt a number of "share repurchases," or measures that would make a takeover extremely difficult.

The alternative is finding a

and acquisitions, junk bond-financed leveraged buyouts, government and mortgage-backed bond trading, money management and equity research and sales.

"Realistically, they don't have the capital or the expertise to go head-to-head with the major players in all of their businesses," said Lawrence Eckenfelder, an analyst with Prudential-Bache Securities. "They'd just be knocking their heads against a wall."

"The one concern you have, though," he added, "is what happens if the businesses they choose to specialize in slow down? That's when greater diversity would help."

Several middle-level professionals at Paine Webber said that, while morale had been improving, they were not certain where Mr. Marron was leading the business.

In the niches where Paine Webber is concentrating, results have been spotty.

Paine Webber, for instance, which ranked eighth in total underwritings in 1981, was ninth last year, according to the Securities Data Co.

Paine Webber pulled off what it considered a merchant-banking coup late last year when it arranged the \$1.5 billion leveraged buyout of National Car Rental Systems. Paine Webber disclosed it had invested \$127 million in the deal and collected an astounding \$40 million in fees. Mr. Marron circulated a confidential memorandum afterward describing the deal as one of the most important ever for the company, "both in size and relevance for our strategic direction."

But not all of its efforts have paid off so handsomely. In 1985, the junk bond department was unable to raise the entire \$770 million needed to complete the financing for Carl C. Icahn's takeover of TWA. This allowed David Burman to enter the scene and take away some of the fees — as well as the spotlight.

THE EUROMARKETS

Dollar-Straight Sector Eases in Quiet Trade

Reuters
LONDON — The dollar-straight sector of the Eurobond market ended slightly easier Wednesday after a quiet day of trading in which many investors remained reluctant to leave the sidelines, dealers said.

"The market's so uncertain at the moment," said one dealer at a U.S. house. "The dollar is so volatile, what anyone taking a large position is really putting themselves at risk."

He added that further gains of 4 point in period Eurodollar deposit rates exacerbated investor fears that the next move in U.S. interest rates would be up rather than down.

Dealers said longer-dated bonds

ended 1/4 or 3/4 point lower but that shorter dates were basically steady. Despite the nervous conditions in the secondary markets, two dollar-straight bonds emerged during the day, although at differing options, syndicate managers said.

Morgan Guaranty Trust of New York, Nassau branch, issued a \$150 million bond paying 7 percent over three years and priced at 101.05. The lead manager was Morgan Guaranty Ltd. and the issue was quoted around the total fees of 1 1/4 percent.

A syndicate manager at a house not involved in the issue said, "It's a bit tight, but at least it's short, which is the sort of paper people are after at the moment."

The day's other dollar-straight was a \$100 million issue for Eurofina; lead manager was Banque Paribas Capital Markets. The 10-year issue pays 7 1/2 percent and was priced at 101 1/4. It closed outside the total fees of 2 percent at a discount of 2 1/4 percent.

The sterling sector saw another equity-linked transaction, an \$85 million equity-warrant bond for Trusthouse Forte PLC. The five-year bond pays 10 1/2 percent and the package was priced at 119. Lead manager was Samuel Montagu & Co. Each £1,000 bond has 485 warrants attached, which are exercisable into Trusthouse Forte shares at 22 1/2 pence per share.

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Wednesday's OTC Prices

NASDAQ prices as of 3 p.m. New York time. Via The Associated Press

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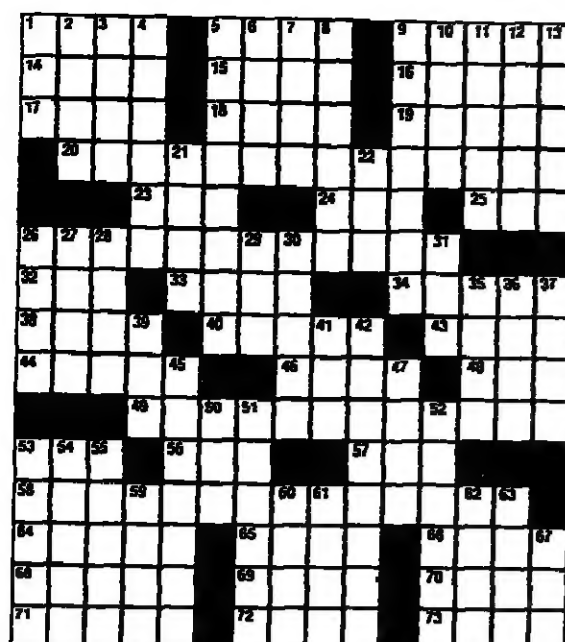
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12 Month High Low Stock Div. Yld. % High Low 3 P.M. Chg.



ACROSS

1 Brewer's preparation
5 Diving-bell inventor
9 Padraig
14 City N of the Skagerrak
15 Source of some grease
17 Pecan pith
18 Aspen, for one
19 Notched, as a leaf
20 The Great Emancipator
23 "I Was the" Presley hit
24 Baton Rouge inst.
25 — Pres.
26 Where Booth struck: April 14, 1865
32 Ostrich's kin
33 Long period
34 Finnish bath
38 Poet Edward Rowland—
40 Passover feast
43 Like a bug in a rug
44 Pass imperceptibly
46 What video means
48 Mrs. Cantor
49 Epithet for 20 Across

DOWN

1 Apple-pie maker
2 Where Shafte is
3 Wooden's plate
4 Draught
5 Art lovers
6 Emanation
7 Form an opinion
8 Kim Hunter role
9 Approaches
10 Painter
11 Kind of bank or test
12 Thread type
13 British noble family
21 Amphora adjunct
22 Adherent
26 Actor Parker
27 Leave out
28 Principle
29 Gardener's need
30 "...not yet": Matt. 24:12
31 Ethiopian prince
35 Single quantity
36 Lady Lady
37 Culture medium
39 Gibbon
41 Mae West's "Life, Sex and
42 Send up another rocket
45 Covered with foam
47 Scottish island
50 Where Dub. is
51 Lady Bird's spouse
52 A job O. Henry had
53 Plus factor
54 Booth's millieu
55 Protect a bet
59 Yaws (the disease)
60 An amino acid
61 Is in debt
62 Yorkshire river
63 Rational
67 Carmine

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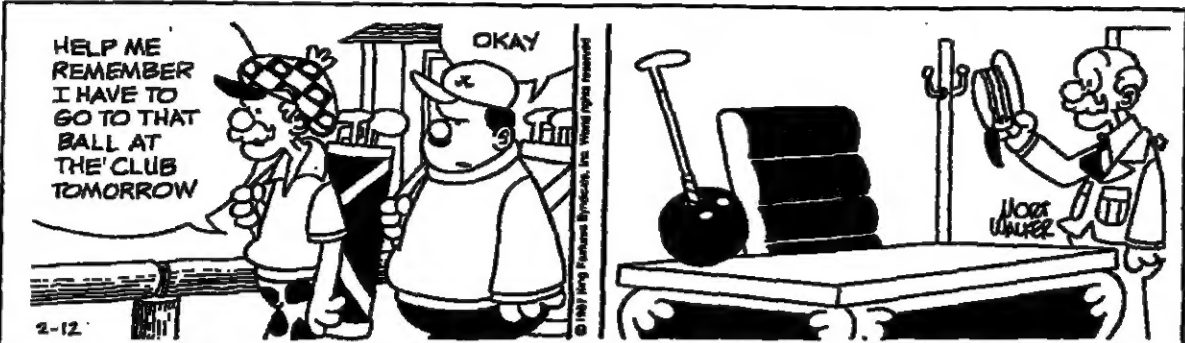
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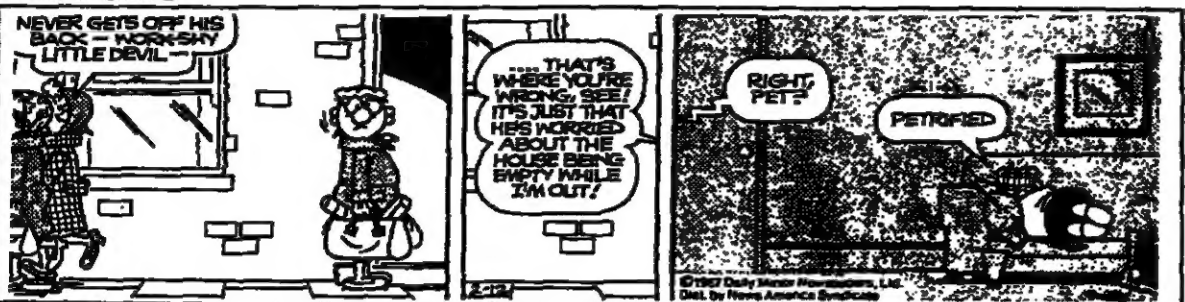
BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD of ID



DENNIS THE MENACE



REX MORGAN



GARFIELD



JUMBLE

Unscramble three Jumbles, one letter to each square, to form four ordinary words.

ESING
DYNOW
WHYROT
GYLINK

ANSWER: A "JUMBLE" VAPOR ROUSE MOHAR HAWKER

Yesterday's Jumble: VAPOR ROUSE MOHAR HAWKER

Answer: The latter put more hours in his work than this — WORK IN HIS HOURS

Now arrange the circled letters to form the surname of a famous person, as suggested by the above cartoon.

ANSWER: A "JUMBLE" VAPOR ROUSE MOHAR HAWKER

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BOOKS

NOBEL DREAMS: Power, Deceit, and the Ultimate Experiment

By Gary Taubes. 261 pages. \$19.95. Random House, 201 East 50th Street, New York, N.Y. 10022.

Reviewed by Christopher Lehmann-Haupt

At least in synopsis, the account that Gary Taubes, a science reporter, gives in "Nobel Dreams" is almost as melodramatic as the book's subtitle, "Power, Deceit, and the Ultimate Experiment."

Goaded by overweening ambition, an Italian physicist named Carlo Rubbia strikes a Faustian bargain with Machiavelli and contrives by stratagems both fair and shady to win the 1984 Nobel Prize in Physics. Determined not to succumb to the "Nobel effect"—that form of self-satisfaction that takes away any driving force or will—Rubbia presses to surpass himself but this time goes too far. He announces a startling discovery before he has adequately examined his experimental data, which fail to support his conclusions. He has a great fall. His Nobel dreams die hard.

We ought to be appalled by Taubes's story. That the pursuit of pure knowledge can be compromised by money, vanity, chauvinism and the will to power: It's not what we were taught to believe by those true adventurers in science some of us were raised on, starting Louis Pasteur and Marie Curie. At the very least, our cynical knowledge should be confirmed that all too few emeralds get cooked without the breaking of eggs.

Yet, disappointingly, "Nobel Dreams" does not appall us. Despite all the cues to shock and cynicism that Taubes has planted in his text, its effect is strangely muted. Indeed, it requires an effort even to lift an eyebrow. First, Taubes never makes of Carlo Rubbia the monster that his drama seems to require. The case against Rubbia often seems lame and petty: "He was considered one of the three toughest men to work for at CERN," writes Taubes, speaking of the European Center for Nuclear Research, "and as far as I can tell, few physicists who worked for him liked him."

Solution to Previous Puzzle

CARD FATES FAST
OMAR ILOVE ORLE
LAVA EARED REIN
THE WINNING TEAM
LSD EOS
LAG WICE SLIGHT
ABLE SODS AGREE
YOUR SHOWS HOW
EVERY PILL TAIL
RESORT NOUN TRA
RIO STK
APLACE IN THE SUN
SLOE ATREE LONE
ODDS STAIR SOIR
PASS TEENS OTTO

Christopher Lehmann-Haupt is on the staff of The New York Times.

BRIDGE

By Alan Truscott

A TEAM of world champions demonstrated its strength by winning a major championship at the conclusion of the Fall Nationals of the American Contract Bridge League in Atlanta, Georgia, in December.

The Reisinger Board-a-Match team title went to Steve Robinson of Arlington, Virginia, and Peter Boyd of Falls Church, Virginia, both members of the American team that won the world championship last fall in Miami Beach, and Chip Martel, Lew Stansby, Hugh Ross, and Peter Standish, all from California, winners of the Bermuda Bowl title in Sao Paulo, Brazil, a year earlier.

A defender tried to swindle Martel on the diamond suit. So when he then led another trump and East ducked again, Martel put up the king.

East successfully played East for the card he appeared

not to have. Martel had no more trouble. He played clubs, ruffing the third round, and overtook the spade queen with the ace. He led club winners, and the trump ace was the only remaining trick for the defense. The contract was made with an overtrick, and Martel's team won the board.

East ducked smoothly, a play that often causes the declarer to misread the position. He is likely to finesse the ten in the belief West has the ace. But Martel reflected on the bidding. West had failed to open the bidding in club suit. He would probably have done so with the ace of hearts as well as a strong diamond suit. So when he then led another trump and East ducked again, Martel put up the king.

East successfully played East for the card he appeared

World Stock Markets

Via Agence France-Presse Feb. 11

Quoting prices in local currencies unless otherwise indicated.

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